CABINET

THE FUTURE OF GERMANY AND THE RUHR

Note by the Additional Secretary

By direction of the Foreign Secretary I circulate the attached papers (GEN. 121/1/121/2) which should be read in connection with a paper on the Ruhr which the Foreign Secretary is circulating for discussion at Cabinet on Wednesday, 17th April.

(Signed) NORMAN BROOK

Cabinet Office, S.W.1.,
15th April, 1946.

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CABINET.

Committee on German Industry.

THE FUTURE OF GERMANY AND THE RUHR.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

Conclusions.

I must lay before my colleagues a number of problems which raise far-reaching issues. The answers are not easy and yet they must be found. They cannot be delayed indefinitely. The French Government are pressing for an early reply to their proposals regarding the Ruhr and the Rhineland, and they have now suggested a Four-Power Conference to consider them. They have also asked for a more immediate decision on the Saar. I myself favour early discussions between the Four Governments concerned, not only on the French proposals, but on the future of Germany as a whole, its level of industry, and its control, and, finally, on the United States proposal for a Four-Power Treaty to ensure disarmament.

2. I, therefore, ask my colleagues' views as to the line I should take in any forthcoming discussions with the French, United States and Soviet Governments. To facilitate consideration and decision I have formulated the following propositions which cover, I think, the various questions involved.

(1) As regards the Ruhr, is it in British and general interests that this area of natural industrial wealth should be economically sound and become a positive element in European reconstruction?

(2) If so, how best can the necessary conditions be achieved, e.g.:—

(a) by keeping industry under British control so long as our occupation of the British zone lasts, and then handing it over to the German Government with or without safeguards;

(b) by placing the Ruhr industry under international ownership and control, while returning eventually the territory to the German State;

(c) by placing the Ruhr industry under international ownership and control, and at the same time detaching the territory from Germany and setting it up as an independent State under international control.

(3) As regards 2 (a) what are the prospects of our being able to continue for any length of time the military occupation of our zone and the feeding of the German population? If the prospects are bad is the solution to work for the early creation of a German Government to whom the whole of Germany, including the Ruhr, should be handed over?

(4) Again if it is decided to leave the Ruhr inside Germany and under German administration, can we expect to get from the United States and Soviet Governments agreement to a higher level of industry than that thought safe for Germany as a whole, i.e., modify the Potsdam decision? Can we hope to get agreement for a positive policy for a German Ruhr and not merely for one of negation and prevention?
(5) As regards 2 (b), could the Ruhr industry be run efficiently under international ownership and control if it remained within territory governed by the German State? What account must be taken of the probability of a Communist and Soviet-controlled German Government in Berlin? Would this increase the risks of leaving the Ruhr industry inside the German State, even though it might increase the likelihood of the Soviet Government agreeing to the area enjoying easier economic conditions?

(6) As regards 2 (c), supposing we decided that our requirements would only be met by removing the territory of the Ruhr from Germany, would an international administration prove workable? Could we be sure that it would not involve, in the long run, worse economic and political consequences, either to ourselves or to the Germans, than continuation of the present conditions by which we remain solely responsible for the British zone while we remain in occupation? This would strengthen French economy and increase their sense of security.

(7) As regards the Saar, should we support the French demand that the mines be restored to French ownership and the area itself included in the French customs union, whatever decision is ultimately reached as regards the Ruhr or Rhineland? This would strengthen French economy and increase their sense of security.

(8) Should we support the French proposal to turn all German territory west of the Rhine into one or more separate independent States? If the Ruhr were separated and internationalised, the case for separating the left bank of the Rhine would be strengthened. Should we in any case object to the maintenance of French, Belgian, Luxembourg and Dutch garrisons in this area indefinitely?

(9) Should we welcome Mr. Byrnes' proposal for a Four-Power Treaty for the disarmament of Germany which would provide, after the termination of Allied occupation, a system of quadrupartite inspection? Should we stipulate that it did not preclude continued occupation for an indefinite period of certain key areas of Germany by the Four Powers concerned and that it took account of the eventual agreement in regard to the Ruhr?

I.—POSITION IN EASTERN EUROPE.

At the Potsdam Conference it was agreed that pending the final delimitation of Poland's western frontier at the peace conference, the former German territories east of the Oder–Western Neisse line should be placed under the administration of the Polish State and removed from the Russian zone. This transferred area would include Danzig but exclude the Königsberg area which was to be placed under Soviet administration.

2. It was also agreed that the German populations remaining in Poland, Czechoslovakia and Hungary should be transferred to Germany in accordance with a plan to be prepared by the Control Council. In November the Control Council approved a plan, providing for the transfer to be completed by the end of July 1946. Though this date is likely to be postponed and though some of the Germans in question, particularly in Czechoslovakia, may be allowed to remain in their countries of origin, nevertheless by the end of this year the bulk of the German populations in Poland, Czechoslovakia and Hungary will probably have been expelled and distributed among the various zones of Germany. The Yugoslav Government have also asked for the expulsion of such of their German population as still remain in Yugoslavia.

3. Though it was laid down at Potsdam that the final delimitation of Poland’s western frontier should await the peace settlement, it has been generally taken for granted that no change in the Potsdam line will be made in Germany’s favour. But the Potsdam decision places Russia in a very strong position. The Poles will never be able to dispense with Russian protection in order to hold their newly acquired lands. At the same time the Soviet Government will always have a means of enticing the Germans into their camp by offering to return some of the lost territory.

4. The economic difficulties in Germany are clearly increased by these Potsdam decisions. Not only has she lost a great part of her best food producing land, but she has to receive into the reduced territory a vast number of penniless immigrants. The position is aggravated by the failure to carry out the Potsdam decision to treat Germany as a single economic unit. The Russian zone is, in fact, a walled-off area, economically as well as politically, and has suffered both by the wholesale stripping of its industrial and agricultural wealth and by the uneconomic redistribution of land and by the fact that the Russian Army of Occupation has been living off the land. Where factories have been left they are believed to be working largely on Russian orders.
5. Politically, the Russian zone in Germany (population about 18½ million) is being organised along the model applied in other territories under Soviet domination. All preparations are being made for a single United Workers Party which will be rigidly controlled from the top and will amalgamate the old Social Democrat and Communist Parties. The men in effective, if not nominal, charge will be Communists trained in Russia. The trade unions are similarly being organised in the approved Russian manner.

6. The aim of these manoeuvres seems to be to include the eastern half of Germany in a solid block of Soviet-controlled territories stretching from Lübeck to Trieste. Finland, Poland, Hungary, Roumania, Yugoslavia, Bulgaria and Albania are either in the bag already, or very nearly so. The prospect of Czechoslovakia holding out is not too hopeful. In Austria the issue is as yet undecided, but the Russians, of course, occupy the eastern part and, as in Germany, the capital is an international island in the Soviet-occupied provinces. Greece would fall into line if the E.A.M. ever got control there. Turkey is being subjected to a war of nerves designed to force her into the Soviet orbit. The Scandinavian countries are also showing signs of nervousness in regard to Soviet Russia.

7. The Soviet Government have now stated their intention to prepare a 5-year economic plan for the territories within their sphere of responsibility. The purpose of such a plan will no doubt be to harness the resources of the whole area, including presumably the Russian zone of Germany, for the benefit of Russian rehabilitation and one of its likely consequences will be to seal off this area even more completely than at present. Russian trade will no doubt largely fill the gap left by German trade in the Eastern European countries. Nor are the aims of the Soviet Government confined to the actual territories mentioned. They are closely interested also in physically controlling the sea routes, viz., the Straits on the one side and the Baltic on the other. It can have been no coincidence that the Poles recently asked for a permanent coaling station and free port at Sassnitz in the island of Rugen. Nor has Bornholm yet been evacuated.

II.—WESTERN GERMANY.

8. Western Germany is divided into British, French and American zones of occupation.

9. Politically, our policy is to build up a British form of democracy slowly from the bottom. We have been at pains to lay the foundations solidly, with the result that not even the lowest level of elections will be held in our zone before the summer. But nominated councils have now been set up and are functioning. It is our aim to transfer responsibility to the Germans as fast as is thought practicable. The Americans have gone ahead with far greater speed. Local elections have already taken place and State Governments have been set up. There is reason to think that the process has been put through too quickly in the interests of the American demobilisation programme and that the foundations are likely to be shaky. Not much information comes out of the French zone, but little seems to have been done so far in the political field.

10. The strongest political parties are the Social Democrats and the Christian Democratic Union, and both are showing signs of vitality. The Christian Democrats are largely, but not entirely, a survival of the old Catholic Centre Party. The Social Democrats in Western Germany strongly oppose any idea of fusion with the Communists. The Communists for their part are a small but vigorous and well-organised minority, their strongest influence being in the Ruhr and Hamburg. They are in close touch with the Communists in Berlin and through them with the Russians. They had little success in the elections in the American zone and would be unlikely at present to win many seats in ours. As in the Russian zone, they are now openly enlisting Nazis into their ranks and beating the nationalist drum on the theme of United Germany and no annexations in the West.

11. Economically the British zone is badly placed. Even in peace time it is not self-supporting in foodstuffs. To-day its normal source of supply in Eastern Germany has been destroyed as a result of the Russian military occupation and Soviet policy. It contains the most badly damaged industrial areas
and its population is swollen by immigrants from the East and now numbers some 21 millions. A further 1\frac{1}{2} million immigrants from the East are still to come. We therefore have a very serious liability. Imports into the zone to keep the population barely above starvation level are expected to amount to at least £100 million sterling in 1946, of which we only expect to recover half in exports. The American zone (population about 16 million) is less industrialised, but it, too, is not self-supporting in foodstuffs and is also carrying a swollen population. The French zone (population about 6 million) is at the moment the worst off of the three as, unlike ourselves and the Americans, the French live to a great extent off the country.

III.—FUTURE OF THE RUHR.

12. With this picture before us it is clear how much importance attaches to the future of the Ruhr. The natural resources of the Ruhr cannot be destroyed. Its highly skilled population must be able to live. Yet its output must be rendered innocuous. My own approach to the problem was to try to make the Ruhr safe for Europe by transferring its industries to a Public Utility Corporation controlled by an international consortium. I wished to ensure that this area should not longer produce war material but should supply the whole of Europe with much-needed peace-time commodities, output being rationalised and integrated with corresponding industries in the participating countries. I proposed, therefore, to transfer the ownership of the essential industries to an international corporation, the shares of which would be held not by private individuals but by Governments. I also wished the Ruhr to concentrate on semi-finished products, the finishing industries being located elsewhere in Europe. In order to secure Russia's agreement to the plan I proposed to associate her with it from the outset.

The E.I.P.S. Plan.

13. I therefore directed E.I.P.S. to work out a plan on these lines, the area in question to be governed as part of Germany but to be occupied by an international force for an indefinite period.

14. The plan prepared by E.I.P.S. is at Annex A. Broadly, it provides for economic control being exercised through ownership or part ownership of a selected group of industrial companies. It assumes fulfilment of the Potsdam Reparation Plan, the occupation of the whole of Germany for at least five more years, and for indefinite occupation by an international force of the area where the principal industrial concerns in question lie. It also provides for Soviet participation in the control. The area proposed is the Northern part of the Rhineland province and the Southern part of Westphalia. In certain circumstances in order to round off control it contemplates acquisition of industrial concerns situated outside the area.

15. The industrial concerns are the principal coal and steel complexes, including the Hermann Goring Steel Works at Salzgitter (outside the area), as well as the principal chemical, engineering and public utility enterprises. Ownership of the concerns would be transferred to an International Holding Corporation, voting control of which would be retained by the participating Powers. Profits, however, would be made available to the German people, either through a new local authority covering the area, or to the provincial governments of the Rhineland and Westphalia or, if desired, to a central German Government. These profits could be used to buy imports for Germany and, in so far as they allowed, to meet the costs of occupation and reparations payments. The Corporation would be directed by a Council of representatives of each participating Power who would report direct to their Governments and would have votes equivalent to the shareholding of their Government, decisions being taken by a 51 per cent. vote. In addition, industrial councils would be set up for each main industry, together with committees on general finance, employment and trade. Below these would come German managements of the operating companies.

16. After termination of total occupation and winding up of the Control Commission in Berlin, the powers of the Corporation would be defined in a charter from the German Government which would be the subject of agreement with the participating Powers. The Corporation would possess no additional powers such as the right of veto over legislation or of compelling the German Government to pass new laws, but any breach of the charter would constitute a breach between the German Government and the participating Powers entitling
the latter to impose sanctions. The sanctions proposed would be temporary assumption of government in the area, and the use of the occupying forces to reinforce the Corporation's authority, if necessary by cutting off coal and steel deliveries to the rest of Germany. The plan suggests the Security Council of the U.N.O. be made a Court of Appeal for the German Government, but to counter undue delay a provision is proposed whereby a 75 per cent. vote of the Council of the Corporation would constitute automatic authority for the Commander-in-Chief of the occupying forces to take action in advance of any such appeal.

17. To make the plan more palatable to the Germans it is proposed that control should be terminated at the end of a stated period of 50 years, subject to the Security Council, the possibility of Germany receiving a share in the voting rights before then being also held out. The products of the area would pass freely throughout Germany and the participating Powers would grant them most-favoured-nation rights. The plan envisages the danger in time of world slump of the participating Powers seeking to export their unemployment to the Ruhr. It therefore contemplates inter-governmental arrangements on cartel lines to ensure Germany a share of the world markets and to protect her home markets. Measures are also suggested for control of foreign exchange earnings.

18. The E.I.P.S. report also considers, but rejects, a proposal for a lease of a prescribed area, coupled with ownership of the principal industrial concerns as above, on the ground that it would be tantamount to political separation, that it would involve the participating Powers in functions of government and that, because of the sensitivity of the area to booms and slumps, it would be preferable that it should be part of a larger unit to which it would contribute, or, alternatively, from which it would draw relief.

19. The E.I.P.S. do not conceal the fact that whatever powers are taken under the Peace Treaty to ensure fulfilment of control, it would be extremely difficult to ensure execution in the face of deliberate and persistent opposition by a German Government or non-co-operation by the local population. Attention is also drawn to the risk of disagreement among the participating Powers and to the great danger which would ensue if control were in consequence abandoned to Germany after industrial development had been revived. Accordingly the plan is designed to give as free a hand as possible to the German managements, while any powers of vetoing legislation are withheld on the ground that to be effective they would have to be so extensive as to render impossible the relationship between the Corporation and the German Government which would be essential for the plan to have any chance of success.

20. There are clearly grave risks inherent in the plan. It depends admittedly for success on the co-operation of the German Government. It frankly seeks to gain German co-operation by confining the Corporation to the minimum functions necessary for supervision of the plan, by associating U.N.O. with it, by setting a time-limit and by holding out a bribe of an eventual share in the control itself. On the other hand, it does provide for the presence of troops of occupation and machinery for bringing them into immediate action by means of a 75 per cent. vote of the Council of the Corporation. None the less, the E.I.P.S. plan remains dependent for success on the goodwill of the German Government. The latter, by sabotage, by political or other pressure, could reduce the Corporation to impotence without even necessarily transgressing the provisions of the charter. Nor would it be easy for a Corporation thus confined in its functions to play a positive role as a Public Utility Authority in the interests of Europe as a whole as opposed to purely German interests. Moreover, in assessing the attitude of the German Government in Berlin we must bear in mind the probability of its being associated with the Soviet Government both politically and economically.

The French Plan (see Map 2).

21. The French Government had also been giving thought to the problem of the Ruhr. Already in August 1944 M. Massigli informed Mr. Eden of his Government's desire that the Rheno-Westphalian basin should be permanently occupied, placed under a special political régime and drawn into the western economic orbit. At the Foreign Ministers' Conference in London in September 1945 M. Bidault circulated a memorandum which included the statement that "the final separation of this region, including the Ruhr, from Germany is both indispensable in order to cover the French frontier and an essential condition for
the security of Europe and the world.” The Conference decided that the questions raised by the French memorandum should be the subject of preliminary study through the diplomatic channel and then submitted for consideration by the Council of Foreign Ministers with a view to decisions being taken.

22. Shortly after the London Conference a delegation of French officials visited London with the object of explaining the French proposals. A report on these discussions is at Annex B. The French have since then held discussions with the United States, Soviet, Belgian and Netherlands Governments, but the attitude of these Powers has not yet been revealed. It will be seen that the French base their proposals on the idea of security. They take the view that the Germans will be highly discontented with the final peace settlement because it will confirm the loss of their Eastern territories, and it is only by removing the Ruhr and the Rhineland from their control that they can be effectively prevented from renewed aggression. The French do not try to justify their proposals on economic grounds, though they deny that there is any inherent economic objection to them. They claim that the rich resources of the Ruhr can only thus be made available in safety for general benefit. The French freely admit, however, that it would be most dangerous if a new régime were set up in the Ruhr and then, at a later stage, owing to a disagreement between the Controlling Powers or for some other reason, the régime were abandoned.

(a) The Ruhr.

23. The French plan requires the complete and permanent severance from Germany of the territories west of the Rhine and of the Ruhr area itself. The Ruhr would be organised as a separate political entity of some 5 million inhabitants and subject to an international political and economic régime. The Four Powers occupying Germany would lay down the régime, Belgium, Luxembourg and Holland being invited later to associate themselves with it. Whilst the local administration would be appointed by the local population who might also eventually participate in the Government itself, the latter would be in the hands of a Governing Commission of nine members appointed by a majority decision of the Powers directly concerned. The members, once appointed, would act collectively, not as representatives of Governments but as an international body. The Commission would have all the powers of government and would organise a gendarmerie and a police force. To ensure internal security a force of 50,000 troops provided by the States directly concerned and paid for by the Ruhr would be permanently stationed in the territory at the orders of the Governing Commission. The supervision of the régime would be carried out by the signatory Powers who would guarantee its integrity in conformity with the provisions of U.N.O.

24. Industrial concerns would be taken over by international consortiums, shares being held by the participating Powers. The latter would supply working capital as far as necessary, profits being divided among the Allies or used as reparations. In the Ruhr as in the rest of Germany the war industries would be completely suppressed, the iron and engineering industries being much reduced but coal output increased. Iron and coal production would be closely linked with that of France, Belgium and Luxembourg. There would be a new and separate currency with a local bank of issue. There would be no special barrier round the Ruhr and there would be no objection to the export of Ruhr products to Germany.

(b) The Rhineland.

25. The Rhineland, consisting of German territory west of the Rhine, would also be finally and completely separated from Germany. It would become the territory of an independent State or of two or three independent States, which would be almost entirely self-governing except that they would be subjected to permanent occupation by Allied troops.

26. France, in conjunction with Belgium and Luxembourg, would undertake the military organisation of the left bank of the Rhine up to, and including, Cologne. Further north it is suggested that this should be a matter rather for Belgium, Holland and the United Kingdom if the latter consider it appropriate.

27. The French view is that Germany must never again be able to use the Rhineland as in the past as a springboard for attacks against France, and that this purpose can only be achieved by the permanent presence of troops, including if possible those of the other Western Powers, along the whole length of the west bank of the Rhine.
The Saar.

28. It is proposed that the Saar mines, whose ownership was granted to France by the Treaty of Versailles and regained by Germany in 1935, should once more become French property, with the corollary that the territory itself should be included in the French customs and currency system since the economies of France and the Saar are almost entirely complementary. Whilst the final form of government would be decided in due course, French military forces should be stationed there permanently.

29. The French Government have recently pressed that a decision in favour of separation of the Saar on the above lines should be taken at once and if necessary in advance of the decision in regard to the Ruhr and the Rhineland. They are anxious that it should be established that the Saar should not be subjected to the Potsdam policy in regard to the level of German industry and that immediate steps should be possible to bring about its recovery and integration with French economy. In fact, they are asking for the Saar what the Poles have obtained for Upper Silesia in advance of the peace settlement.

30. The French proposals cannot be fully appreciated unless set against their background. After the last war the French sought above all security against their richer and more populous neighbour; in addition, they wished to get what reparation was possible for the physical damage to their country. To satisfy these aims they put forward two territorial demands apart from the return of Alsace-Lorraine. First they claimed the annexation of the Saar territory. Secondly, they pressed for the political separation from Germany of the territory west of the Rhine, its constitution as an autonomous State or group of States, and its inclusion in a customs union with the western countries. The essential military conditions were that the Rhine bridges should be controlled and that the barrier should be held, not by the French alone, but by inter-Allied forces.

31. Under both heads they were disappointed. In the Saar they obtained temporary ownership of the mines but, at the insistence of the British and Americans, the territory was placed under international administration, its final fate to be determined by plebiscite after fifteen years. The plebiscite in 1935 showed an overwhelming majority in favour of reincorporation in Germany with the result that the ownership of the mines reverted to Germany.

Their proposal for the Rhineland was also opposed by both Great Britain and the United States, and eventually they were persuaded to drop it in favour of (a) treaties of guarantee, (b) the temporary occupation of the Rhineland, and (c) the permanent demilitarisation of the German territory to the west of the Rhine plus a 50 kilom. strip to the east. The treaties of guarantee in the event never came into force at all. The occupation of the Rhineland was prematurely brought to an end at the very time when Germany was beginning to regain her strength. The demilitarised zone, though subsequently confirmed in the Locarno Agreement, was violated by Hitler with impunity in 1935. In 1940 Marshal Foch's worst fears were fulfilled.

32. In putting forward their claims to-day the French therefore have a background of painful experience. They regard a favourable settlement of this question as the pivotal point of their whole foreign policy. If we reject their claims or whittle them down in such a manner as to deprive them of what they regard as essential to security, we can have little hope of maintaining close relations or influence with the French. They will seek their security elsewhere, probably in Moscow. The defeatism, which is at the bottom of the great part of their present internal troubles, will be intensified, and the chances of their returning to stable conditions will be to that extent diminished. Furthermore, the failure to put Anglo-French relations on a really close footing will prejudice our relations with Belgium and Holland and will make more difficult of attainment that close co-operation between ourselves and the Western European countries which we regard as a very important element in our future security.

33. As for the actual French proposals, it may be said that they present a clear cut, logical scheme which has the merit of finality and is free of the type of compromise that proved so unsuccessful in the Versailles settlement. If the plan worked as the French believe, it would certainly provide a complete safeguard against the Germans initiating another war of aggression. The E.I.P.S. plan for the international control of the Ruhr industry could be fitted into it and it might be argued that the elimination of the German Government and Administration would lessen the opportunities of those wishing to make the E.I.P.S. plan unworkable. There would be no objection to the profits of the area contributing
to payment for the imports of Germany and reparations. The area would enjoy its own free waterway of the Rhine.

34. On the other hand, the French plan raises a number of difficulties. The fact that the Governing Commission would be responsible to outside Powers and not to the population is difficult to reconcile with the political principles for which we stand and which we are now trying to instil into the German people. All the German political parties would bitterly oppose political separation as would also the trades unions, and they would be strongly backed by German sympathisers abroad. It is conceivable that the Controlling Powers might in course of time lack the necessary determination to maintain the separation in the face of such opposition.

35. The economic difficulties are also considerable. Our economic advisers believe, despite French arguments to the contrary, that by creating an administrative barrier between the Ruhr and the rest of Germany, the plan would be economically disastrous for both areas and would also, in times of slump, involve the Controlling Powers in the necessity to find relief for the population of the Ruhr.

Level of Industry in Germany and Security.

36. Both these plans, the E.I.P.S. plan leaving the Ruhr inside Germany and the French plan severing it from Germany, must be viewed in the light of the current discussions on the future level of industry in Germany. We are now faced with a deadlock on this issue in Berlin where both the Russians and the Americans are seeking to impose such a reduction of the overall level of German industry as in our opinion will prove fatal to the maintenance of future German economy through failure of exports to balance imports.

37. My own idea was to make of the Ruhr a positive element of European reconstruction and co-operation by enabling it to work under full international control for the peace-time requirements of Europe. I did not contemplate the establishment of an international consortium for purely negative purposes of prohibition and inspection. Yet, unless a level of industry is allowed in the Ruhr substantially higher than that now proposed for the rest of Germany, the prospects of the successful operation of a Public Utility Corporation would be remote indeed. The French proposals do not involve any modification of the general level in favour of the Ruhr, and the area for which it is proposed that the Allies should assume full responsibility would be bankrupt from the start.

38. I suggest, therefore, that it is essential for the success of any such plan that the Ruhr—whether as part of Germany or as a separate State—should be allowed a higher level of industry than that laid down for the rest of Germany.

39. If this view is accepted, the question arises whether we are more likely to secure the conditions we need by proposing to separate the Ruhr from Germany and to place it under international government, than by leaving it inside Germany under the German Government. As we have indicated above, the E.I.P.S. plan is based on co-operation with the German Government; it seeks to impose a minimum of restrictions on German management and in fact depends for success on German goodwill. On the face of it, it seems hopeless to suppose that the strong resistance of the Soviets and the United States to the fixing of a higher level of industry could be overcome in favour of a plan for the Ruhr which left such freedom to German enterprise.

40. For if an adequate level of industry is one condition for success of the plan, the other is security against German attempts at interference and recovery of control. Here it must be admitted that the French plan of complete separation offers greater security than that of E.I.P.S. The economic aspect of the French plan is obviously open to adjustment.

41. There is nothing inherently impossible in the area being governed by an outside authority. The Saar was so governed for many years under the League of Nations. Clearly the council of the holding company would not be suitable for this purpose, but a governing commission or commissioner could be appointed either responsible to the Four Powers while the Control Authority remains in Berlin, or to the U.N.O. It should not be impossible to devise safeguards to ensure the prosperity of the Ruhr being made to benefit the rest of Germany.

42. If separation were adopted it is suggested that the area in question should be larger than the narrow Ruhr proposed in the French plan, and should...
extend to and include the area west of the Rhine up to the Dutch frontier. This would have great administrative advantages. This whole area could be formed into a separate State with full local government under a commissioner or a governing commission selected by the U.N.O. with which the new State and consortium could be closely associated through the Security Council and the Social and Economic Council. The international force (which is also contemplated under the E.I.P.S. proposals) would be situated in this area under the orders of the administrator and might come to represent the residue of the military occupation of Germany when the time came to abandon the present generalised occupation.

The Soviet Attitude.

43. The Soviet Government are deeply interested in the Ruhr. Under the Potsdam Agreement they stand to obtain from it a considerable part of their share of reparations from Western Germany. Apart from that, they are determined that it shall never be used as the economic backbone of either a German revival or a Western bloc aimed against themselves. At the Potsdam Conference the Soviet Delegation tabled a proposal whereby the Ruhr, while remaining part of Germany, would be placed under special administration exercised by a Council of British, United States, Soviet and French representatives. No further details of their proposal have been given, but it is safe to suppose that it would be designed to depress the Ruhr rather than to revive it. Any proposal, therefore, which aimed at raising the level of industry would meet with deep Soviet suspicion, not only as diminishing reparation deliveries of industrial equipment but as a political threat to themselves. The Soviet Government have given no indication whatever as yet of their attitude to the French plan beyond saying that they are studying it. The Soviets must be expected to play a large role in the Ruhr in any case, whether as members of an international régime or as the power behind the German Communist Party.

The German Attitude.

44. Here it is necessary to consider the German attitude. We must expect all German political parties to be hostile to any international control of the Ruhr, but especially to its separation from Germany. Indeed, the Berlin Communists are already insisting that the Ruhr must remain German. The Social Democrats and the Christian Democrats, who can hardly be expected to be less nationalistic, are already showing signs of following suit.

45. In deciding the future of the Ruhr we must clearly take into account the probable picture of post-war Germany. The most striking feature at present is the determined action being taken by the Soviet Government in the Eastern Zone and especially Berlin to support and impose the Communist Party. The Soviets have provided leaders for the latter in two Moscow-trained men, Ulbrecht and Pieck. The Communists, aided by the Soviet authorities, are at present busy forcing through fusion with the Social Democrats in the East and their aim is to extend the fusion to the parties in the Western Zones. Their aim is to create a new party, the United Workers’ Party, which behind a democratic façade would be Communist-controlled. The Communists have already penetrated the Trade Union movement and imposed a single union system in Berlin. In the Western Zones the two leading parties, the Social Democrats and Christian Democrats, led by Schuhmacher and Kaiser respectively, are so far resistant to Soviet penetration. The Communists are numerous in the Ruhr and Hamburg but comparatively unimportant in the rest of the West. Their organisation, however, is more active and widespread than that of their rivals.

46. So long as the present zonal occupation continues and Germany is not centralised, our presence and that of the Americans in the West affords some protection to the democratic German parties against Communist pressure from the Eastern Zone. We can try to stiffen the Social Democrats against fusion and enable them and the Christian Democrats to strike root in the various local elections which are envisaged. Once Berlin again becomes the seat of a German Government, the latter will be exposed to strong Communist and Soviet pressure. The Communists will be entrenched in the East and will proceed to the offensive against the parties in the West. For I fear we must proceed on the assumption that the Soviet Government will continue to do all it can to ensure that the future German Government will be Communist and Soviet-controlled. This is the attitude they have adopted in other border countries; their methods in Germany
are true to type. According to our reports from Berlin no opportunity appears to be missed for stressing the incompatibility of East and West and the need to draw inspiration for German unity entirely from Moscow.

47. In these circumstances, we should be wise, I think, to prolong the present system of administration and government by zones and delay the setting up of a single German Government operating from Berlin. By this means we would gain time for the democratic parties to grow and for completion of our own arrangements in the Ruhr. But, on the other hand, so long as the zonal systems continue we shall not be able to reduce the cost of our occupation, notably that of feeding the German population in our Zone.

48. But what likelihood is there of their being able to resist the Soviet-controlled parties in the long run? We can support them throughout the Western Zones in opposition to the Communists. We can back them with our publicity. The only support likely to count, however, would be the giving of favours and the establishment throughout the West of a much higher standard of living, and that we are precluded from doing by the Potsdam Agreement. But what are the chances of the democratic parties maintaining their resistance against Communist pressure, especially after British and United States troops are withdrawn and the level of industry is maintained at such a low level as to create chronic unemployment?

49. I think it is possible that were there no Soviet backing, the democratic parties might hold their own. The black record of Soviet occupation usually reacts against the chances of the local Communist party when there is no outside force behind them. But so long as the Soviets are established in the Eastern Zone, and even after their withdrawal as long as they are present on the Oder, it must be extremely doubtful whether the German democratic parties will resist. The German character predisposes them to totalitarian parties. The effects of defeat and economic chaos must increase this.

50. Events in Austria provide an interesting parallel. So long as there was a chance of a Communist Government in Vienna, the Soviet Government took the lead in the Allied Council in pressing for greater freedom for the Austrian Government. Since the elections, at which the Communists failed, the Soviet Government have turned their other face to Austria and are blocking every move to increase her independence, and their occupying troops are digging in for another winter. We must anticipate, in fact, that, unless the German Government comes under Communist control, the Soviet Government will prolong their occupation on one pretext or another and apply the bludgeon to bring it about.

51. If the chances are thus against our being able to prevent the German Government from becoming Communist and Soviet-controlled, we have from the security angle a very serious argument for trying to hold at any rate the Ruhr by removing it not only from the economic control but also from the political control of Berlin. If Germany is likely to be under Soviet control, it is better that Germany should not include the arsenal of the Ruhr. The fact that the German parties would be against us at the start should not blind us to the possibility that in the long run an international Ruhr, if a success, might become the focus for Western Germany later.

52. On the other hand, we must face the fact that the Soviet Government may decide to back a Communist German Government in resisting the detaching of the Ruhr territory and even of the Ruhr industry from Germany. In that event we should have either to acquiesce in Germany retaining the Ruhr, with such purely economic controls as we could establish, or be prepared to stand out with the French (and with doubtful American support) in opposing its return by continuing our occupation in the face of combined German and Soviet pressure.

The United States Attitude and Proposal for a Four-Power Treaty.

53. The United States Government have not yet given any indication of their attitude towards the French proposals. In the Four-Power Council in Berlin, however, they have allied themselves with the Soviet Government in obstinately blocking our attempts to raise the level of industry in Germany. They are also pressing the French Government to agree to the setting up of a centralised German administration in Berlin. They are, of course, known to be anxious to reduce and withdraw American troops of occupation as soon as possible.
54. Mr. Byrnes has now communicated to me and to M. Moltov a tentative draft for a Four-Power Treaty on German disarmament and demilitarisation. The text of this proposal, which is highly confidential at this stage, is at Annex C.

55. By the terms of the Treaty the United States, the United Kingdom, the Soviet and French Governments would bind themselves to ensure the complete disarmament of Germany (Article 1). Upon the termination of the Allied occupation a system of quadrupartite inspection would be set up (Article 2) acceptance by Germany of these provisions being an essential condition of terminating the Allied occupation (Article 3). The quadrupartite Commission of Control set up under Article 2 would report to the Four Governments whenever by a majority of vote they believed that Article 1 was in danger of violation, at the same time submitting recommendations for action. Thereupon the Four Powers would agree to take such prompt military measures as were needed. For this purpose they would within six months negotiate detailed agreements laying down the procedure of the Commission of Control, the numbers and types of forces which each party should contribute, their location and such other facilities which they would provide (Article 4). The Treaty would run for 25 years (Article 5).

56. This American proposal is no doubt designed to speed up the termination of the total occupation and to facilitate an early American withdrawal from Germany. None the less it provides for the completion of disarmament first. Again a German Government would have to be in existence to undertake the necessary pledges. It would bind the United States Government for 25 years to the principle and practice of inspection of Germany and of the use of force, by means of contingents to be agreed in advance, in the event of violations. The Treaty is not presumably intended to take the place of the general Peace Treaty with Germany, which will have to be concluded with all the belligerents. The provisions for inspection and eventual action in regard to disarmament on a purely Four-Power basis would obviously be far more effective than any similar provision requiring agreement by a large number of Powers.

57. On the other hand, inspection alone cannot be accepted as a satisfactory means of control of Germany. The lesson of inspection after the last war is there to show how successfully the German Government eluded such control and rearmed under our noses. It is certain that the French Government, or for that matter the Soviet Government, would not regard mere inspection of the Ruhr in the conditions proposed as a substitute for occupation and a more specialised form of control on some such lines as discussed above. Nor could I possibly recommend that we should agree to withdrawal of our own forces from the Ruhr merely on the strength of the completion of disarmament and the acceptance by a German Government of the servitudes of the Treaty. Under my own conception of the Ruhr, upon which the E.I.P.S. worked, I always contemplated that the area must be occupied by an international force for an indefinite period.

58. I think, therefore, that the American proposal should be welcomed for the assurance it contains of continued United States participation in inspection and eventual measures of repression. On the other hand we should stipulate that the parties must not be precluded from maintaining partial occupation of Germany merely because disarmament has been completed, a German Government set up and a system of inspection provided.

British Interests.

59. British interests may be summarised as follows:—

(1) Security from the revival of German aggression.
(2) Reasonable economic well-being in Germany and Europe.
(3) Reduction of the British costs of occupation of Germany and feeding of Germans.
(4) A democratic and Western-minded Germany.
(5) The restriction of predominating Soviet influence as far East as possible.
(6) The recovery of France as a solid member of the Western democracies.

60. For (1) and (2) control of the Ruhr is the key which is at present in our hands.

61. For (3) we must face the fact that it is going to become increasingly difficult to keep the American troops in Germany. Hardly less difficult will it
be to keep our own troops in Germany, especially if it means spending vast sums in dollars in feeding our Germans. If we and the Americans go we must try and cut our losses and save as much of the position as possible.

62. For (4), if we cannot prolong the zonal government of Germany with all that it means in manpower and money, there is no alternative but to set up a German Government. In view of the economic position and the German propensity for totalitarian solution, the prospects are unfavourable unless there is a change of Soviet policy as a result of which the Soviet tide recedes.

63. For (5), if we and the Americans cannot maintain indefinitely the military occupation of our zones and if we cannot keep the Soviet Government from dominating a central German Government in Berlin, then there are grounds for retaining control over the Ruhr for the West. We should have more control over a separate Ruhr under Allied military occupation, which included the Soviets in the control, than over a German Ruhr as part of a Germany under a Communist and Soviet-controlled Government in Berlin.

64. For (6), a settlement of the Ruhr and the Rhineland which would reassure France is essential.

*Foreign Office, S.W. 1.*

*11th March, 1946.*
ANNEX A.

ECONOMIC AND INDUSTRIAL PLANNING STAFF.

THE CONTROL OF THE RUHR.

NOTE BY THE SECRETARY.

THE attached paper has been prepared at the request of the Secretary of State for Foreign Affairs and incorporates the views of the British Element of the Control Commission for Germany.

4th February, 1946.

CONTROL OF THE RUHR.

1. We have been asked to examine and report on the best type of régime which could be set up in the area of "North" Rhineland and Westphalia to secure for the Allies control over Germany's war important industries in that locality without separating the area politically from the rest of Germany. In considering this problem we have further been asked to examine two alternative methods, namely:—

(a) control through the ownership or part-ownership of a selected group of industrial companies;

(b) the lease to the Allied countries concerned of a prescribed area of German territory, coupled with the ownership or part-ownership of the principal industrial concerns within that territory.

Finally, we have been asked to consider what would be the general economic consequences of taking away the territory on the west bank of the Rhine and setting it up as a separate State. Our views on the effects which this would have both on Germany and on the new State are set out in Annex A (1).

Assumptions.

2. In considering this problem we have made the following basic assumptions:—

(a) that a Reparation Plan giving effect to the Potsdam Agreement will be carried out;

(b) that the occupation and control of the whole of Germany will continue for at least five further years from now;

(c) that when the military occupation of Germany as a whole ceases, military contingents of the Allied Powers principally concerned will continue to occupy an area in Western Germany in which the majority, at least, of the principal industrial concerns taken under Allied control are situated;

(d) that Russia will participate in whatever form of control is set up in Western Germany.

3. After studying the two alternative proposals set out in the terms of reference, we have reached the conclusion that ownership or part-ownership of a selected group of industrial companies would be the most satisfactory method of achieving our main objective, namely, the development of the industries of Western Germany in the interests of European prosperity in such a way as to leave us with a maximum degree of security that is possible without a political separation of the area in which these industries are situated from the rest of Germany. We would like to stress, however, that whatever powers are taken under the Peace Treaty to ensure that the purposes of our control are duly carried out, it would be extremely difficult to ensure their execution in the face of deliberate and long-standing opposition by a central German Government or the sustained non-co-operation of the local population. Moreover, in so far as their control had permitted the industrial development of Western Germany beyond the stage that would have been likely had the Allies acquired no interest in
German industry, the danger to security if disagreement amongst the controlling Powers or German obstructionist tactics resulted in the Allies relinquishing their control would be greater. On the other hand, the avoidance of this danger by the separation of this area from the rest of Germany would have such disastrous effects on the general economy of the latter and the Ruhr, and in consequence on Western Europe as a whole, as to constitute a potentially greater source of danger than the theoretical risk inherent in our present proposal (see Annex A (2)).

4. In the following paragraphs we set out our recommendations in regard to the structure and nature of the control under the proposal which we favour.

The Area.

5. The area in which the industries most important from the security aspect are concentrated is the northern part of the Rhineland Province and the southern part of the province of Westphalia (hereinafter referred to as "the area"). We have considered whether industrial undertakings outside the area should also be included in the control and have been unable to reach a decision on this point. On the one hand, it is argued that since effective control will depend upon the presence of occupying forces it would be a mistake to take into control any undertakings in parts of the country where occupying forces are not stationed. Assuming that the Germans wished to undermine the authority of the Participating Powers, they would be certain to concentrate first on those outlying properties, and if the Participating Powers were not able or prepared to take the necessary counter-measures, their position would be weakened not only vis-à-vis these particular properties, but also with regard to the other properties within the area. The other view is that, in spite of the great force of this argument, there may be certain exceptional cases which would justify the acquisition of industrial concerns outside the area. These exceptions should be confined to cases where the ownership of a concern outside the area, but within the British or American zones, would result in the Allies obtaining virtual 100 per cent. control of an important German industry. An example of this is the Hermann Göring Steel Works at Salzgitter, which with the plants in the Ruhr would probably represent the bulk of German steel production. The complete control of this industry would enable the Participating Powers to exercise considerable influence over its relationships with other steel-producing countries. It would enable them to supervise the operations of Salzgitter more closely than would be possible under rights of inspection conferred under a Peace Treaty. A decision on this point might be left open for later discussion with the other Powers concerned.

Industries to be controlled.

6. The following groups of industries will be taken into control by the Allied countries concerned:

(a) The undertakings in the area of the six principal coal and steel complexes, viz.:
   
   (1) Gutehoffnungshütte Aktienverein für Bergbau u. Hüttenbetrieb, Nürnberg.
   (2) Hoesch A.G., Dortmund.
   (3) Klöckner Werke A.G., Duisburg.
   (4) Friedrich Krupp, Essen.
   (5) Mannesmann Röhrenwerke A.G., Düsseldorf.
   (6) Vereinigte Stahlwerke A.G., Düsseldorf.

(b) All the other colliery companies and their associated companies in the area.
(c) All the other steel companies and their associated companies in the area together perhaps with the Hermann Göring Steel Works at Salzgitter (see paragraph 5 above).
(d) All the principal plants within the area belonging to large complexes principally interested in the chemical and engineering industries and major public utility enterprises (such as I.G. Farben, Demag, Rheinisch-Westfälisches Elektrizitätswerk).

(N.B.—The taking over by the Allied countries concerned of industrial complexes in the area is recommended for two reasons. First, it is impossible to draw a hard-and-fast line between steel and engineering; control of steel works which is essential would therefore automatically entail control of some engineering
works. Secondly, we are committed under the Potsdam Agreement to break down concentrations of economic power; this will be particularly difficult to achieve owing to the lack of an investing middle class in Germany; if we cannot succeed in leaving these complexes in German ownership and breaking them up into their smaller constituents, the most satisfactory alternative would seem to be to acquire them ourselves.)

Form of control.

7. The undertakings would be acquired as going concerns and transferred to an International Holding Corporation. The share and loan capital of the companies owning acquired undertakings, which would in most cases include assets which the International Holding Corporation would not wish to acquire, would be left in the hands of their original owners. The latter would look to the appropriate German authorities for compensation for the assets acquired by the International Holding Corporation but would retain through their share or loan holdings their interest in assets not so acquired, e.g., those outside the area. New German subsidiary companies would be formed by the International Holding Corporation to control and manage all the acquired undertakings. For the sake of clarity, the following definitions have been used in the ensuing discussion of this organisation:

Corporation means the International Holding Corporation.
Operating Companies means the wholly-owned subsidiary companies operating the undertakings which have been acquired.

The capital structure of the Corporation need not be considered in detail at this stage, but it should be so designed as to ensure that the voting control would be retained by the Participating Powers while the profits, subject to such reserves as were thought necessary, were made available to the German people. The voting rights might be allotted to the Participating Powers in something like the following proportions:

<table>
<thead>
<tr>
<th>Per cent.</th>
<th>United Kingdom, United States, France and Russia (each)</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Holland</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Belgium and Luxembourg together</td>
<td>10</td>
</tr>
</tbody>
</table>

The profits might be allocated either to the new local authority referred to in paragraph 17, or to the provincial Governments of the Provinces of Rhineland and Westphalia in amounts approximately proportionate to the value of the industrial properties acquired in each of these two Provinces. The provincial Governments rather than a central Government have been suggested partly because this would be in conformity with our policy of decentralisation, and partly because there might be no alternative central authority in Germany at the time the transfer was made. When, however, a German Government has been established and its administrative structure fixed it may prove to be desirable that it, rather a local authority, should receive the profits.

Constitution.

8. The direction of the Corporation would be in the hands of a Council which would consist of one representative appointed by each Power who would report direct to his Government. These representatives would be non-technical and would be concerned primarily with matters of broad general policy. They would also make decisions on recommendations received from the Industrial Committees (see below). Each representative on the Council would have votes equivalent to the percentage shareholding of his Government in the Corporation. Decisions of the Council would normally be taken by a 51 per cent. vote.

9. In addition to the Council, Industrial Committees would be set up for each of the main industries in which the Corporation was interested. Similar committees might be established to deal with such general subjects as finance, employment and trade. These Industrial Committees would consist of one member from each of the countries concerned. The main functions of the committees would be to ensure that these industries carried out the general policy laid down by the Council, to keep themselves fully informed of their operations and in particular to take all steps necessary in regard to these companies to ensure the observance of the industrial disarmament clauses of the Peace Treaty. The voting rights of the directors of these Industrial Committees would be similar to those of the Council.
10. Below these again would come the German managements of the operating companies. Each group of industries would elect from amongst its members an executive body which would be the principal point of contact between the industry and the Industrial Committees.

11. In general, the policy of the Participating Powers should be to give as free a hand as possible to the German managements and the principal though not exclusive power which the Industrial Committees or the Council would enjoy would be that of veto.

Dispossession and compensation of previous owners.

12. The undertaking would be taken over by simple requisition, the owners looking for their compensation to whichever authority, local or central, was designated as the recipient of the profits of the Corporation. Some special arrangements might be necessary in the case of interests acquired from non-German owners.

The relationship of the Corporation with the central German authority.

13. This can be divided into two phases:—

(a) the period when the central authority consists of the quadripartite Control Council;
(b) after the Control Council has terminated and there is a central German Government.

14. As far as (a) is concerned, the powers of the Corporation will need no precise definition; their properties being situated in Germany, they will be bound by decision of the quadripartite Control Council and it must be assumed that since the four Powers represented in Berlin will be the four largest individual shareholders in the Corporation, no divergences of views are likely to develop other than those which in the first instance should be settled by the Control Council. In any case, during this period there will be no security risk.

15. When, however, the Control Council is wound up, the Corporation will need to have a charter from the German Government which will be incorporated in an agreement with the Participating Powers. The precise powers which the Corporation will need to enjoy in order to carry out its objectives can be left to be worked out in detail during the earlier stages of its existence when the Control Council will still be operating.

16. We have considered whether the Corporation would need any additional powers, such as the right to veto legislation or compel the German Government to pass new laws. Although at first sight there would appear to be some advantage in such an arrangement we have reached the conclusion that in practice it would be unlikely to achieve the desired effect. If the German Government is determined to sabotage by all means at its disposal the carrying out of the purposes for which the Corporation has been formed, the rights of positive and negative powers over German legislation which the Corporation would need to protect itself, would be so far-reaching as to render it impossible at the outset to establish the sort of relationship between the Corporation and the Government which would be essential for the plan to have any chance of success. We therefore think it preferable that the powers of the Corporation should be defined quite clearly in the charter. Any breach of the conditions set out in that charter would constitute a breach of the agreement between the German Government and the Participating Powers and would therefore entitle the latter to impose sanctions.

17. In order for the sanctions to be effective the Participating Powers must be prepared to take action along two lines. One of these is the temporary assumption by them of the powers of government within the area and the other the use of the occupying forces to reinforce their authority. It will be easier to apply the former if, at the inception of the scheme, a new local authority is set up for the area. Although the new local authority would in normal circumstances have precisely the same relationship with a central German Government as any other local authority, it would have its own separate administrative machine which could be adapted for use by the Participating Powers in the area, should the occasion arise. The use of armed forces would certainly be required under these circumstances and it might also be necessary to make use of these if some action short of the assumption of powers of government were thought sufficient.
For example, the stationing of contingents of the occupying forces at key points on the boundary of the area could be used to cut off at a moment's notice shipments of coal and steel from the Ruhr to the rest of Germany.

18. The relationship of this arrangement to the United Nations Organisation would have to be considered in the light of future developments. It might prove desirable for questions affecting the application of the agreement to be brought before the Security Council and in particular for the German Government to have the right of appeal in any case where the Corporation was exercising its powers in a manner which could be shown to be detrimental to German national interests where no issues affecting security were involved. A further point which must be considered is whether the Participating Powers will have the right to apply military sanctions within the area on their own initiative or whether they must first obtain the permission of the Security Council. The latter, though perhaps more logical, might be dangerous in that delays would probably occur which might prejudice the authority of the Corporation. This would be particularly likely if, in the event of a breach occurring which, in the opinion of the Participating Powers, justified recourse to military action, the German case was heard as well as that of the Corporation. A preferable arrangement would be a provision to be included in the Corporation's charter whereby a 75 per cent. vote of the Council constituted automatic authority for the Commander-in-Chief of the forces of occupation to take such action as the Council might prescribe. If this was accepted it would be only reasonable, however, to give the German Government the right of appeal ex post facto to the Security Council.

19. Two other points have been suggested for making this scheme more acceptable to the Germans and therefore less likely to arouse their lasting opposition. The first of these is a clause in the charter which would provide for the termination of control by the Participating Powers at the end of a stated period subject to the concurrence at that time of the Security Council. The second is that we should hold out to the Germans the promise of an eventual share in the voting rights of the Corporation provided they had co-operated satisfactorily with it in the meantime. As regards the first of these proposals, we think that if the Germans knew at the time the Corporation was formed that they would ultimately regain control of the acquired undertakings it would have an important psychological effect. From this angle a period of, say, 25 years, which would be within the lifetime of the majority of the population, would be most advantageous. But in view of the difficulties of re-educating the Germans within so short a period and the important security aspects involved, no period of less than 50 years is likely to be acceptable to the Participating Powers. The promise of eventual participation in the voting rights of the Corporation presents greater difficulties. The Germans could not receive a share larger than that of the four principal Powers, and this would not be sufficient to influence the decisions of the Council in matters of legitimate interest to the German Government where decisions are taken by a 51 per cent. majority vote. It might, however, enable them to interfere in the one field in which the Participating Powers should have undisputed authority, namely, the use of armed force as a sanction against a breach of the agreement involving a threat to security.

Tariffs.

20. It is important that the products of the operating companies should be allowed to pass freely and without discrimination throughout Germany. In the matter of import duties and of internal duties levied in their territories, the Participating Powers should grant most-favoured-nation treatment to goods produced by the controlled industries of the area. In all other respects they should make no arbitrary discrimination against such goods. Presumably any agreement arrived at by the Commercial Conference to be held during the coming summer would be applied so far as relevant to this case.

Industrial Policy.

21. One of the great obstacles in the way of the Allied control of the principal industries in Western Germany achieving the objectives which we have in mind is the very real danger that in times of world slump the Participating Powers would exercise their control over German industry to ensure that it was Germany and not the industries of their respective countries which suffered the adverse consequences of declining world demand. In other words, there would
be great temptation for each of the controlling Powers to export their unemploy­
ment to the Ruhr. To prevent this, some inter-Governmental arrangement will
be necessary which will secure for Germany a share in world export markets;
allow her to participate in expansion of productive capacity brought about by
the increase in world demand, and in times of slump to protect her home market
for her home industries. This would in effect mean the setting up of a form of
inter-governmental cartel and although the U.S. Government are known to be
opposed to cartels, they may be prepared to agree to some form of inter-govern­
mental machinery designed to meet this specific case.

Raising of fresh capital.

22. If the operating companies are to be allowed to expand to meet an
increase of world demand for their products, the Corporation will need to raise
additional capital from time to time. Generally speaking, this capital should
be raised from internal sources through the new local authority or the provincial
Governments of the Rhineland and Westphalia. The latter could issue their
own provincial Government bonds, and perhaps be given the right to secure
these on earnings of the Corporation. In the latter event, however, the bond
holders would receive no lien on the properties of the operating companies and
no rights of foreclosure, since it is important to ensure that the security of the
Participating Powers is preserved intact. The operating companies should also
have the right to borrow abroad. In the event of one of the Participating
Powers being willing to put up the money, opportunity should be given to each
of the Participating Powers to subscribe pro rata to the loan. The unwillingness
of one or more Powers to subscribe should not of itself convey a right to veto
the intended loan, provided that the necessary majority vote of the Council had
been obtained to its issue. Subscription to a foreign currency loan by a Particip­
ating Power should not confer any additional voting rights. As in the case
of internal borrowings, issues made by foreign Governments could be secured on
revenue but not on assets.

Control of foreign exchange earnings.

23. It has been suggested that the Powers represented in the Corporation
should retain possession of the foreign exchange earnings of the operating com­
panies, and only release these to the German authorities on satisfactory proof
that they were not being used for undemocratic or warlike purposes. The
Corporation would certainly need to protect itself in its charter from any foreign
exchange control imposed by the central Government being exercised in such a
way as to defeat the objectives for which the Corporation has been established.
It is, however, important in our opinion that the general relationship between
the Corporation and the German Government should be such that the Corpora­
tion would respect the authority of the German Government except where this
can be shown as being used in a manner injurious to the Corporation’s interests.
It would therefore, in our opinion, be wrong for the Corporation in the case of
the foreign exchange earnings of its operating companies to be placed in an
exceptional position in which it became in its own right a judge of the political
policy of the central German authorities. On the other hand, it might well be
desirable, as a means of applying pressure in the event of a breach of the
Peace Treaty, for the United Nations to have some general control over German
foreign exchange expenditure as a whole. If so it would seem preferable to do
this by means of canalising German foreign exchange receipts into some central
banking fund, which the United Nations Organisation would have the right to
block in cases of emergency.

Timing.

24. If it is agreed that control by means of a holding company is the best
means of achieving our objectives, it would be inadvisable for the Allies to take
over the industries listed in paragraph 6 above until the undertakings in question
can be operated as going concerns, and until the removals of plant and equipment
under the reparation programme have been completed. When these conditions
have been fulfilled it is probable that the structure outlined in the preceding
paragraphs might be set up within a period of about twelve months. Pending
the creation of the Corporation, the occupying Power in whose zone the under­
takings to be acquired are located might take their assets into custody in the
same way as has already been done in the case of the Ruhr mines.
The lease to the Powers concerned of a prescribed area in German territory, coupled with the ownership or part-ownership of the principal industrial concerns within that territory.

25. At first sight this proposal appears to have many attractions. In fact it amounts to a lease to the Participating Powers for a fixed period of years of certain functions of government within the area concerned, which would be much smaller than the provinces of North Rhineland and Westphalia. In practice, however, it has many disadvantages. If the Allies were to exercise all the functions of a German Government, it would amount to political separation of the area from the rest of Germany. In any case, it would not be practicable for the Participating Powers to exercise these functions. The property interests of the Participating Powers in that area would be confined to the assets of the principal industries, e.g., coal and steel, but all the rest would remain with their existing owners who for administrative convenience would remain subject to German law. Moreover, since the area in question (i.e., the Ruhr) would be most sensitive to the impact of booms and slumps, it would be essential for the area for taxation and currency purposes to be treated as part of Germany. In other words, in times of prosperity the central German Government would expect to obtain revenue from the area with which to subsidise the poorer parts of Germany, while in times of slump the area itself would require subsidising out of the central revenues of the country.

26. If there was any real chance that the Participating Powers would receive the fullest collaboration from a central German Government these difficulties would largely disappear, but we do not think that this is a risk that we could afford to accept. A leased area with an antagonistic German Government would present intolerable problems. There would be no guarantee that the local German municipal authorities would be prepared to obey the orders of the Participating Powers, and if they did in fact adopt ca'canny measures, the Participating Powers would have no option but to take over the administration of the area themselves. This would be a considerable administrative burden in any circumstances, and if a Seven-Power Control involved the establishment of a Seven-Power Kommendatura, it is most unlikely that any efficient non-German administration could be achieved. There is also the political difficulty that if the lease was not regarded as separation the area would have the right to send deputies to the Reichstag. The Participating Powers would find themselves in an extremely embarrassing position if these deputies openly avowed their desire to terminate the régime. In the economic field the position of the Participating Powers would be made extremely difficult. If in times of slump the German authorities failed to subsidise the population of the area and widespread starvation resulted the Participating Powers would have a direct responsibility to provide relief, which they could scarcely evade.

27. Although for the above reasons we have come to the conclusion that control by means of an international holding company is preferable to control by means of a leased area, we still regard the lease with all its dangers as preferable to political separation. In the first place, it would be possible under such an arrangement for the area still to remain part of the German Customs system, which would not be feasible if it was politically separated from the rest of Germany. Secondly, a lease has less finality about it than separation, and it would always be possible for the Participating Powers to vary the terms of the lease according to the behaviour of the central German Government.

ANNEX A (1).

Establishment of German territory on the west bank of the Rhine as a separate State and the effects of such a proposal both on the new State and on the rest of Germany.

WE have assumed in considering this problem that the territory to be separated from Germany will be confined to that part of the Rhineland and the Palatinate which lies on the west bank of the Rhine and will exclude the Saar. In subsequent paragraphs we refer to this territory as "the State."
Effect on the State.

2. There is little doubt that if the State were separated from the rest of Germany and set up as a new entity it could be made economically viable. The State possesses important natural resources in the shape of hard and brown coal mines, with rich agricultural land which should in time be capable of development to produce a substantial surplus of the higher cost foodstuffs. From the industrial point of view it contains important steel and engineering industries and unless these are substantially reduced under the reparation plan they could be adjusted in such a way as eventually to make the area largely self-sufficient so far as the production of plant and equipment is concerned. The State also contains important chemical industries. There is a substantial surplus of electric power in the State, but it is deficient in gas.

3. In spite of the satisfactory position summarised in the preceding paragraph, the setting up of a barrier between the State and the rest of Germany would undoubtedly create difficulties in regard to the disposal of the surpluses which are now consumed in other parts of Germany. There is a close connection between the State and the Ruhr, the latter taking surplus power from the State and sending it gas. The State also looks to the Ruhr for technical leadership. There are also strong economic connections with other parts of Germany to which the State sells important quantities of chemicals, including in particular carbide and cyanamide, and also special steels. The State also disposes of its surplus sugar production to the rest of Germany. With separation the State would become a new currency area, and on the basis of past experience, her exports to Germany would substantially exceed her imports from Germany. It is unlikely that Germany would be able to afford to import the surpluses from the State as in the past, given the economic difficulties with which she is faced and the further probable effects of the reparation plan. The State would therefore have to find new outlets for part at least of the exports which formerly went to Germany.

4. In general we conclude that there are no insurmountable economic objections from the point of view of the State itself, to its establishment as a separate political entity, provided that its population is not increased above its pre-war level. We would, however, point out that the creation of small independent States with a separate currency and fiscal system of their own is contrary to general economic trends since it involves the creation of new tariff frontiers and is apt to retard the development of world trade. We should regard the prospects of the State as being very much more promising from the economic angle if it could be included in a Customs Union with, say, Holland, Belgium and Luxembourg.

Effect on the rest of Germany.

5. There can be no doubt that from the point of view of the rest of Germany, the separation of this area would add to her economic difficulties. The loss of territory in the east will have a very harmful effect on the economy of the country in any case, and it is extremely doubtful whether once the reparation plan has been carried out she will be able to support a tolerable standard of living without external assistance. It follows from this that the removal from Germany of any further area which is itself economically viable will increase the difficulties of the remainder of the country. There are certain added disadvantages in that separation would tend to result in the rupture of the strong economic and technical links which now exist between the Ruhr and the industries situated in the north of the State. This will be particularly the case in view of the fact that the production of the east and west banks of the Rhine were so largely supplementary. Hindrance to the free exchange of goods will necessarily lead to new capacity in Germany which will add a further burden to the German economy at a time when it will be endeavouring to piece together the assortment of plants left behind after the reparation removals.

6. There is one special burden which will be imposed on the rest of Germany. The loss of territory in the east will leave Germany with a far greater density of population than she had before the war. The settlement of Germans transferred from ceded territory in the east and from central Europe will present great difficulties. The State, in view of its present comparatively low density of population and opportunity for agricultural development is a natural reception area for some of the transferred population. This would no longer be the case if the State were set up as a separate entity since it would be important to ensure
that it did not start its life with prospects of appreciable unemployment. Adjust­ments at a later date on any large scale would be impracticable since the national­ity of the inhabitants of the new State would have to be determined at the time it was set up and the subsequent influx of large numbers of Germans would prejudice any chances of stability. The creation of the State would therefore add to the difficulties with which the German Government is already faced in settling transferred populations.

ANNEX A (2).

Economic Effects of the Political Separation of the Ruhr from the Rest of Germany.

THE French admit that their proposal to split the Ruhr from the rest of Germany would create economic difficulties, certainly for the rest of Germany and possibly for the area itself. They consider, however, that the problems of reconstruction which confront Germany are so vast that the additional difficulties which might result from the separation of the Ruhr would be relatively insignificant. In any case they maintain that the decision in regard to their proposal must be taken on political grounds alone since the economic consequences of separation should not be allowed to affect the main issue.

2. We agree that if an overwhelming case can be made for separation as the only satisfactory method of preventing future German aggression, the economic consequences are not sufficiently serious to warrant a rejection of the French plan. But the French admit that the most disastrous step that could be taken would be to set up a new State and later abandon it. It is therefore essential that we should be satisfied before separation that the economic difficulties arising from it would not be so great as to weaken the will of the participating Powers to continue it indefinitely. Disagreement between them as to the way in which their control should be exercised would give the Germans an opportunity of which they would be quick to take advantage, to play off one against the other and this might well prove to be its undoing. In the following paragraphs we examine the difficulties that are likely to arise.

3. The French have agreed that the separation of the Ruhr from the rest of Germany is not an alternative way of obtaining security to the principle of de-industrialisation which was agreed to at Potsdam. On the contrary, they have stated explicitly in a memorandum elaborating their proposals that the Potsdam reparations programme will be carried out in full.

4. It was agreed at Potsdam that Germany's metallurgical, chemical and engineering industries and certain other industries which were of particular importance to her war potential should either be eliminated or reduced in capacity to the level necessary for her peace-time economy. It was further provided that the standard of living which Germany would be allowed to enjoy should not exceed the average standard of living of all European countries other than the U.S.S.R. and United Kingdom, and that plant and equipment which was unnecessary for the maintenance of such a standard of living should be removed as reparations.

5. If these measures are applied to the whole of Germany it is probable that it is the Ruhr that will bear the highest degree of de-industrialisation since it is in that area that the greatest concentration of Germany's metallurgical, heavy engineering and heavy chemical industries exist. Although Germany will need to maintain considerable exports in order to meet her essential imports the reparation plan will almost certainly be framed in such a way as to concentrate exports in the consumer goods industries which have less importance from the point of view of war potential. The Ruhr area is largely deficient in these consumer goods industries and the output of the Ruhr will therefore predominantly be used either to meet the direct requirements of that area or to produce semi-finished goods for export to the rest of Germany. The one exception will be coal, where there should be a substantial surplus available for export to non-German destinations.

6. The French in their proposal have suggested "that the economy of the Ruhr should be reorientated towards the West." But if after the reparation
plan has been carried out the steel, engineering and chemical production of the Ruhr is exported westwards and not made available to the rest of Germany, the latter will, in fact, be deficient of the materials needed to maintain the approved standard of living. If she cannot obtain these goods from the West she will undoubtedly turn towards the East where the increased coal and steel production of Silesia appears to offer a promising alternative source of supply. Czechoslovakia, though to a lesser degree, could also help to fill in the gap created by the loss of Ruhr products. Both Poland and Czechoslovakia are politically and economically under the Soviet influence and if they were to become the suppliers of the Rump Germany in the place of the Ruhr it seems probable that Soviet influence would spread westwards. In other words, the reorientation of the Ruhr economy towards the West is likely to bring about a corresponding reorientation of Russian economy towards the West.

7. In order to counteract this tendency it would be necessary not only to abandon the idea of reorienting the economy of the Ruhr with the West, but to foster the maintenance of the economic relations with the Rump Germany. Before the war the use of Ruhr products in Central and Eastern Germany was deliberately encouraged by means of transport and other subsidies. Whether, without these subsidies, Central and Western Germany would still be a market for Ruhr products remains to be seen, but the immediate steps necessary to encourage this trend would be a Customs Union between the Ruhr and the rest of Germany and a common currency in both areas. The French have stated categorically and with good reason that they could not countenance a Customs Union since this would prejudice their plan of permanently separating the Ruhr from the rest of Germany.

8. The Economic Security and Reparation programme agreed in Potsdam cannot be carried out without leaving behind it a serious unemployment problem. It is clear that the French hope that the inhabitants of the new Ruhr State and of any other areas in Western Germany which may also be detached, will develop a vested interest in their future independence. This is hardly likely to be achieved if the independent State has to start its life with an appreciable proportion of its population unemployed and with little hope of finding work. It stands to reason, therefore, that the Ruhr and any other part of Western Germany politically separated from the Reich will not be reception areas for Germans transferred from Poland and Czechoslovakia and Central Europe, but on the contrary will wish to eject the surplus population which cannot find a means of livelihood. In the case of the Ruhr 1-1½ million people will have to look elsewhere for absorption and if emigration is disregarded the only place they can go to will be the Rump Germany, whose population will already be swollen considerably by refugees from the East. The population of Rump Germany, as a result of these transfers from the East and West, is likely to be in the neighbourhood of 61 millions as compared with a pre-war population of 40 millions. Rump Germany deprived of free access to its remaining important natural resources would clearly be unable to support so large a population without external assistance. The French recognise the adverse economic effects of separation on the Rump Germany and have suggested as a solution that the necessary financial assistance might be provided by transferring to the Rump Germany the surplus foreign exchange earnings of the Ruhr. In making this suggestion the French have assumed that the favourable balance of trade of the Ruhr will be sufficient to meet the adverse trade balance of the rest of Germany, but this is open to doubt. From a plan which the French Element of the Control Commission have recently prepared in Berlin for the future level of German industry after the reparations plan has been carried out, it is evident that the French accept the views of the British and American Delegations that even a unitary Germany will only just be able to balance its imports and exports. The separation of the Ruhr from the rest of Germany cannot but restrict the volume of trade in both areas. Under these circumstances it seems unlikely that even if the Ruhr were to succeed in achieving a favourable balance this would be sufficient to meet the deficit of the Rump Germany. Furthermore, an arrangement whereby the Ruhr subsidised the rest of Germany from which it had been forcibly separated would be highly artificial and in that it retarded any improvement in living standards would not be conducive to encouraging the population of the Ruhr to remain independent.

9. As regards the Ruhr itself, it is by no means a foregone conclusion that it would be a prosperous State. Before the war the national income of the Ruhr was about the same as the average income throughout Germany. It was a good
deal lower than Berlin, Hamburg and other industrial centres where the finishing side of German industry was concentrated. In times of slump the Ruhr had to be supported from the central revenues of the State while in more prosperous times the State had to pay subsidies on the increased quantities of Ruhr products moving over the rest of Germany. If the Ruhr is separated from the rest of Germany there will be no equalisation fund to which she can look for financial assistance in times of depression. Moreover, since the numbers of her population will be fixed at the time of separation, she will be unable to absorb some of her unemployed in neighbouring agricultural areas as she now can. In other words, unless the controlling Powers are to ensure that even in times of world slump the Ruhr industries operate at a high level there is every possibility that it may become a gigantic depressed area. It seems hardly likely that the participating Powers would be prepared during these periods to maintain Ruhr output at the expense of their own production, and under such circumstances the Ruhr, far from being able to subsidise the rest of Germany, would itself look for assistance to the participating Powers.

10. The obligations of the participating Powers under the French plan will be considerable. They cannot rely on a power of veto only, for the administration of the area will be in their hands and it is therefore they who will be laying down the policy by which the new State will be governed and will be responsible for the resulting political, social and economic conditions. Unless the participating Powers are co-operating successfully in the world at large, differences of opinion in other spheres of interest are likely to be reflected in an uncompromising attitude in the inter-Allied administration of the Ruhr. Under these circumstances the divergent political ideologies of the Soviet Union and the United States, for example, would remain irreconcilable and the new State would drift helplessly along without guidance.

11. In the economic field, in particular, the situation would be likely to be very difficult. As already mentioned, in times of slump the Ruhr might have a substantial adverse balance of payments and even need relief imports from abroad. The capacity of the various participating Powers to provide relief would vary and it is most improbable that each would agree to provide its proportional share. Though the United States would be in the position to provide the necessary goods, her continued interest in the well-being of Europe cannot be guaranteed. It is most improbable that the United Kingdom could afford to provide its contribution. The Soviet Union would hardly be prepared to support financially an area which she would still regard as part of a Western bloc and therefore a potential threat to her own security.

12. Differences of opinion and of interest are also likely to arise in regard to the development of the Ruhr. If it is to have a vested interest in its own continuance some industrial expansion will be necessary and this will call for external financial assistance, since the area is too small to provide all the capital itself. Here again doubt arises as to whether inter-Allied administration would agree that the Ruhr could raise an external loan or on the purposes for which the loan could be used. Each of the participating Powers would consider its own commercial interests and tend to oppose any development that might in future compete in world export markets with its own domestic industries. It is equally doubtful whether, if the borrowing were authorised, any or all of the participating Powers would be willing to provide the money. Failure to reach agreement would retard the recovery of the Ruhr and increase the sense of unfulfilled moral obligation; while the influx of too much capital might result in the re-creation of a heavy industry which, if the régime were to collapse, might leave Germany ready to hand a modern and integrated war potential.

13. In the light of the foregoing arguments we have reached the conclusion that, however attractive the French plan may superficially appear, it creates economic difficulties of such magnitude and contains the seeds of such inter-Allied dissension that the one fear which the French themselves recognise, namely, the subsequent abandonment of the plan, is a very real danger indeed. By comparison we should regard a proposal which left the Ruhr politically a part of Germany but transferred to the participating Powers the control of its principal industries as a more feasible plan.

12th February, 1946.
ANNEX B.

[No. 2068.]

Mr. Bevin to Mr. Duff Cooper (Paris).

Sir,

I HAVE sent your Excellency from time to time records of the meetings which have been held with French officials with a view to elucidating the French proposals with regard to the Ruhr and the Rhineland. I now enclose a final report on these discussions which has been agreed with the French authorities. The first annex to the report is also enclosed, consisting of a French memorandum (in translation) on the economic aspects of their proposals. The second and third annexes, consisting of a statement by Sir David Waley with regard to the French economic memorandum and a counter-statement by M. Alphand, are not yet available in final form. They will be forwarded to you as soon as possible.

2. In the course of these discussions every effort has been made to make it quite clear to the French representatives that it was not the purpose of His Majesty's Government in entering on this stage of the talks to express any views of their own concerning the French proposals. The sole object was to obtain clarification of the French proposals and their implications in order that His Majesty's Government might then be in a position to consider their attitude towards the proposals.

3. It is understood that the French Government have already initiated similar conversations with the United States and Soviet Governments separately, and they will no doubt inform us of the results of these conversations in due course. Meanwhile His Majesty's Government propose to study the French proposals in an attempt to define their policy towards them.

4. I am sending copies of this despatch to His Majesty's representatives at Washington, Moscow, Brussels and The Hague and to Sir William Strang at Berlin for their confidential information.

I am, &c.

ERNEST BEVIN.

Enclosure.

Report drawn up as a result of the Franco-British Conversations which took place in London from 12th-26th October concerning the Future Administration of the Rhineland and the Ruhr.

IN the course of the meeting of Foreign Ministers in London the French Delegation circulated on the 14th September, 1945, a memorandum setting out its views on the steps being taken with regard to the control and administration of Germany.

In this paper the French Government recalled that it had been informed on the 31st July of the text of the arrangement reached at Potsdam between the American, British and Soviet Governments regarding the "Political Principles which would govern the treatment of Germany in the initial period of control." The French Government had since that date expressed reservations about this agreement. These reservations concerned particularly the decision to re-establish forthwith German central administrations set up in Berlin which seemed like the first manifestation of a rebirth of the Reich.

Moreover, the French Government had observed that in the terms of the Potsdam communiqué the territory situated to the east of a certain line would

(*) The second and third annexes to the report, transmitted to Paris in despatch No. 2111 of the 29th November, are, for convenience, included in this paper.
be handed over to the administration of the Polish Government and would immediately be removed from the authority of the Inter-Allied Control in Berlin and from the authority of future German central administrations. The French memorandum, without raising objections a priori against an arrangement on these lines, drew attention to the danger that this arrangement might be interpreted as confirming the maintenance of German sovereignty over the rest of Germany.

The French Government, which has on many occasions given public notice of the importance which it attaches to the future of the Rheno-Westphalian region in particular, asked the Council of Five Ministers for Foreign Affairs that pending the settlement of a definite status for this area it should be laid down that the area would be withdrawn from the authority of German central administrations if these were later set up.

This proposal was set out before the meeting by M. Bidault, Minister for Foreign Affairs, on the 14th September, 1945. It was agreed that a study of the whole of the questions raised by the French memorandum would be pursued through the diplomatic channel.

The French Government asked the Governments concerned to state their views on the procedure to be followed in order to carry out this decision.

The British Government suggested on the 8th October that in the first stage the conversations should be carried out by the French Government separately and directly with each of the three other Governments. The British Government proposed that a Franco-British exchange of views should begin immediately in London. It was agreed that these first conversations would have no other object than to inform the British Government about the French Government's views, without involving commitments on either side. The conversations would begin on a general plane and would without delay be followed by technical discussions between experts to study all the aspects of the problems which had been raised.

Mr. Oliver Harvey and M. Couve de Murville were appointed for this purpose by the two Governments and had a first conversation on the 12th October. At the same time the French Government instructed the French Ambassadors in Washington and Moscow to inform the American and Soviet Governments and to notify them of its desire to proceed, as soon as possible, in the same manner with each of them.

The London conversations were carried on between the 12th and the 26th October by means of meetings of political, economic and military sub-committees.

The rest of this report contains a statement of the French position and of its implications as these have been elucidated in the course of the conversations. The British representatives did not express any views on the practicability or desirability of the French proposals.

The French Point of View.

The main preoccupation of the French Government is security. After the last war nothing was done to infringe the integrity of Germany and the measures of security which were taken, i.e., military occupation, were only planned for a limited period during which there was, in fact, no chance of Germany becoming a danger to peace. The maintenance of German integrity implied the maintenance of a military Power whose energies were inevitably directed towards revenge and the recovery of territories which Germany had lost as a result of the war. This error must not be repeated.

In the opinion of the French Government, the security of Europe and of the world demands that Germany should lose the free use of the war potential represented by the industry and the resources of the Rheno-Westphalian area. It is also desirable that these rich resources should be made use of in the general interest. Moreover, the security of the west against German aggression demands that the Rhineland countries should not be able to reconstitute an avenue, an arsenal and the starting point for an attack directed against France and more generally against the western Powers. To meet these preoccupations, the French Government does not propose to have recourse to territorial annexion but to exclude from now on the activity of any central German authority from the Rhineland and the Ruhr and to establish in these areas a régime conducive to the objectives indicated above.
Two general principles can at this stage be set out:

(1) Whatever may be the details of the final arrangements, it is most important that a decision of principle should be taken immediately to the effect that these territories should be permanently separated from Germany and that this should be made perfectly clear to the inhabitants by a public declaration. This decision implies that the areas in question would be removed from the authority of the Allied Control Council in Berlin at a date which remains to be fixed, but which should be within the shortest possible time.

(2) These territories should not constitute as a whole a single entity either politically or economically. Different regimes must be worked out for each of the areas involved.

(a) Left bank of the Rhine.

Adequate military forces must be permanently stationed in the German territories on the left bank of the Rhine, including perhaps some bridgeheads on the right bank.

In so far as this occupation is intended to constitute a covering force for France itself, i.e., up to and including Cologne, it would be for France to see to the military organisation of the left bank of the Rhine, perhaps in conjunction with Belgium or Luxemburg.

Further north the problem is not of such direct interest to France but rather to Belgium, Holland and to the United Kingdom, if the latter considers it appropriate. The object of the forces of occupation will be primarily strategic. These forces will constitute the outposts of the general defence system of all territory west of the Rhine.

The Rhineland should not form part either of Germany or of France and must be subjected to permanent military occupation. The establishment of a definite status for this area in accordance with these principles will depend on the development of local conditions. There may be a single State subjected to inter-Allied military occupation, or there may be two or three States each occupied by the troops of different Allied Powers.

Subject to their accepting the presence of foreign garrisons and refraining from militarisation and from attempts to rejoin Germany, the Governments of the State or States to be created in the Rhineland would be free to manage their own affairs.

(b) The Saar.

The Saar mines, whose ownership was granted to France by the Treaty of Versailles and was regained by Germany in 1935, must become once more French property, with the corollary that the territory of the Saar should be included in the French customs and currency system, since the economies of France and the Saar are almost entirely complementary. The final form of government of the territory would be decided in due course. French military forces should be stationed there permanently.

(c) The Ruhr.

The Ruhr area consists of the coal mines and of the factories associated with them. It has a population of about 5 million inhabitants.

The French Government considers that, in order to ensure that the natural and industrial resources of this area shall no longer be exploited for military purposes but rather in conformity with the general interest of humanity, it is essential to treat the area not as part of a State or even of a larger territory but as a political entity independent from Germany and subjected to an international political and economic regime.

All the countries concerned should participate in the organisation of this regime: the States particularly concerned should participate in the selection of the members of the Government, the other interested Powers in some other way. The local administration should be appointed, so far as possible, by the local population, which could also, in due course, participate in the functions of Government. An international force would be stationed in the territory and its integrity should be guaranteed by all the Powers concerned.

The Ruhr territory would be open to the trade of all countries. It would be served by the international waterway of the Rhine and, in the opinion of the French experts, would probably be prosperous. There would be no objection to the
Ruhr exporting part of its production to the rest of Germany provided, of course, that these exports did not include any kind of war material. The Governing Commission and the Powers which were in a position to direct the commission's activities could orientate the production of the Ruhr in any direction which seemed desirable. In particular they could take all necessary measures to ensure that the Ruhr did not unfairly compete with other areas with a similar range of production.

The principles of economic disarmament which may be drawn up by the Control Council would be applied in the Ruhr territory in the same way as in Germany. Part of the probable surplus in the Ruhr trading accounts could perhaps be used for a certain period as part-payment for necessary supplies imported into Germany on the basis that such supplies may be calculated by the Control Council.

The mines and the most important industrial enterprises would be expropriated and turned into an international interest. The exploitation of these mines and enterprises and of the mines belonging hitherto to the Reich should be taken over by international public utility undertakings. The interest of the workers should be safeguarded.

It has been made clear by the French experts that the French proposals have not been put forward on economic grounds and that the decisions to be taken depend essentially on political considerations. These questions are dealt with in greater detail in a French memorandum and in British and French comments which are attached to this report.

Such are the outlines of the French proposals concerning the organisation of the Rheno-Westphalian area.

The question has been raised of the date at which these arrangements should be put into effect. The French view was that while it is important to agree, as soon as possible, that the whole of these areas should be separated from Germany, there is not the same urgency in coming to a detailed decision with regard to the future status of the Rhineland.

The Ruhr, on the other hand, raises urgent problems, notably with regard to coal production, which interest many Powers. The implementation of the Ruhr régime should be undertaken immediately and could be carried out in stages beginning with economic measures.

The International Régime in the Ruhr.

Detailed study was undertaken of the nature of the régime envisaged for the Ruhr with the following results:—

(1) Establishment of the régime.

The international régime of the Ruhr should be laid down by a decision of the four Powers in occupation of Germany. Belgium, Luxemburg and Holland, as Powers directly concerned, should later be invited to associate themselves with this decision.

(2) Object.

This decision shall specify that the object with which this régime is established is to ensure that the natural and industrial resources of the Ruhr are no longer exploited for military purposes but in conformity with the general interest of humanity.

(3) Area.

The territory subjected to this régime shall be as small as possible and should include particularly the coal basin and the principal industries associated with it. The limits of the area covered by this definition are shown on a map drawn up by the French experts.

(4) Separation from Germany.

The régime envisaged involves the complete and permanent separation of the territory from the German Reich and the establishment of the territory as an entity in international law to be named the Ruhr Territory. The inhabitants of this territory who possessed German nationality would lose it and would have the right to become citizens of the Ruhr Territory. They could, on the other hand, within a period to be fixed, opt for German nationality on condition that, if they did so, they left the Ruhr Territory.
The Governing Commission or an authority appointed by it for this purpose would lay down rules governing the entry into the Ruhr territory of all persons who left it on the arrival of the forces of the United Nations or who, at that date, were not habitually resident there. For the future, conditions for the acquisition and loss of Ruhr territory nationality would be decided by the legislative authorities of the territory.

(5) Governing Commission.

The question was asked whether the Ruhr should be governed by a body set up through the United Nations Organisation or by a group of States acting outside the framework of the United Nations Organisation.

The view was expressed, so far as the French representatives were concerned, that the conception of trusteeship could not be applied to the Ruhr and that it would be better to put the régime under international control established by a special agreement between the Powers concerned.

It is clear that the instrument setting up the new régime should be registered with the United Nations Organisation.

The government of the territory should be entrusted to a Governing Commission composed of nine members corresponding to the following list of ministerial departments:

- Political
- Interior
- Finance
- Justice
- Education
- Transport
- Posts and Public Works
- National Economy
- Labour and Public Health

The members of this commission should be appointed by majority decision of the Powers directly concerned. Their appointments should be terminable in the same fashion. They would be appointed for five years and be replaced by rotation. Retiring members would be eligible for re-election. The commission would decide the functions of each of its members and those which it would carry out itself. The head of the commission would be appointed by a majority decision of the Powers directly concerned. He would act as the executive of the commission.

The character of a political régime drawn up on these lines would be determined by the fact that the Governing Commission was entrusted with a political mission with the object of maintaining international security. The members of the Governing Commission would be appointed by certain Governments acting collectively and would not be regarded as the representatives of these Governments but as the members of a collective body whose functions were of international concern.

It is contemplated that in due course the local population might participate in the exercise of government.

(6) Powers of the Commission.

The commission should have in the Ruhr territory all the powers of government. Consequently, it could take all legislative and administrative measures which it might judge necessary. It could, in particular, maintain or modify administrative institutions. It would appoint and dismiss officials and magistrates, some of whom might, if necessary, be recruited among nationals of foreign countries.

Justice would continue to be administered by the courts existing in the Ruhr territory at the entry into force of the new régime except that a new Supreme Court would be substituted for the Reichsgericht of Leipzig. The Governing Commission would be able to modify existing judicial arrangements.

As a consequence of the separation of the Ruhr territory from the German Reich the Governing Commission would take all necessary measures for the replacement of the Reich by the new territory particularly as regards the ownership of goods which were the property of the Reich, and it would take all measures necessary for the complete separation of public services such as railways and posts from those of the Reich.

(7) Gendarmerie, Police and Customs.

The Governing Commission should see to the organisation of a Gendarmerie and of a police force of the territory which could be recruited on the spot and would function under its authority.
It would similarly provide for the frontier police, whose personnel would, at first, be partly recruited outside the territory. A customs administration would also be necessary, whose personnel would be, in the main, recruited locally except for the highest officials.

(8) Armed Forces.

In order to ensure internal security in the Ruhr territory the States directly concerned would put at the disposal of the Governing Commission a military force, whose numbers have been estimated at 50,000, which would be stationed permanently in the territory.

The upkeep of this force would be paid for by the territory.

The different contingents would be placed under a single command.

The commander-in-chief would be appointed by the Governing Commission in rotation from among the officers of the States mentioned in paragraph (1) of this section and after consultation with the Governments of these States. He would be directly responsible to the Governing Commission.

Air forces (about ten fighter-bomber squadrons) could be put at the disposal of the Governing Commission without being stationed in the territory.

These armed forces and the persons attached to them who were in possession of an identity document, issued by the military command, and all those employed by these forces or in their service should be liable only to the military jurisdiction of the force.

All persons accused of a crime against these forces or members of them could be tried before the military courts of these forces.

The Governing Commission would be the only authority capable of declaring martial law. The nature of such martial law would be decided by the legislature of the territory.

(9) Foreign Relations.

The United Nations would be able to appoint consuls in the Ruhr territory. It would be for the Governing Commission to grant them an exequatur.

The Governing Commission could arrange for the protection of Ruhr citizens and interests abroad by appointing consular agents who could be nationals of the territory in which they were to function, and at a later stage by the appointment of career consuls.

The Governing Commission could also entrust this protection to one of the Powers indicated in section 5 above.

The Governing Commission would take the necessary steps to arrange for the independent participation of the Ruhr territory in technical and administrative international unions and commissions and to negotiate economic treaties affecting the territory.

(10) Supervision and Guarantee of the Status of the Ruhr Territory.

The supervision of the application of the Ruhr régime would be carried out by the Governments who signed the instrument setting it up (see section 1 above).

These Governments would receive each year an annual report from the Governing Commission on the manner in which its functions had been carried out, and on the situation of the Ruhr territory.

These Governments would see that the Governing Commission’s activities were in conformity with the objective set out in section 2 above.

These Governments would work out the directives to be given to the commission.

They would be entitled to receive claims concerning the Ruhr territory which might be submitted through the diplomatic channel, and to deal with them in such manner as seemed suitable.

The above-mentioned Governments would guarantee the integrity of the Ruhr territory and would ensure respect for its status. The scope of this guarantee would be in conformity with the provisions of the United Nations Charter.

The Governments who signed the arrangement setting up the Ruhr territory would draw up from time to time a list of States who should receive copies of the annual report of the Governing Commission by virtue of their importance either as importers or purchasers for the economy of the Ruhr.

The signatory Governments would receive the observations of these States on the report and could invite one or more of these States to take part in their discussions on this subject.
General Observations.

The French proposals are based generally on the idea that the only satisfactory way of ensuring that Germany is never again in a position to wage a war of aggression is to remove from German control the mineral and industrial resources of the Ruhr. If Germany is deprived both of Silesia and of the Ruhr she would almost certainly not again present a danger to security.

The proposals with regard to the occupation of the Rhineland are complementary to the proposals with regard to the Ruhr, the establishment and stability of the international regime for the Ruhr being facilitated by the occupation of the Rhineland, in view of the geographical situation of the two areas. The object of the proposals is to deprive Germany of an area which she has more than once used as a base for invasion. It is not intended that the Rhineland should be intensively occupied. The important thing is that the Allies should have the facility of stationing troops on the Rhine over its whole length.

It would be of great importance to estimate the reactions of the population both in the Ruhr and in the rest of Germany to the introduction of proposals on the above lines, but it is practically impossible to do so in advance.

The French view is, in general, that the Germans will be discontented with any possible settlement of Germany and will inevitably harbour feelings of revenge. It is only by removing the Ruhr from the control of Germany that these feelings could be prevented from assuming practical expression in a new outbreak of militarism and aggression.

If the proposals were to be introduced, the sooner this could be done the better, since in the present state of Germany less violent reactions would be expected than when the Germans had recovered to a greater extent.

The administration of the Ruhr would have to be carried out in such a way as to make the new régime as attractive as possible to the inhabitants. This would involve, e.g., allowing them a higher standard of living than the rest of Germany, but it is not intended that the programme of removal of plant for reparations from the Ruhr territory should be modified if these proposals are put into effect. It would also naturally be desirable to allow the inhabitants of the Ruhr as much freedom as possible in running the affairs of the territory, but it would be most undesirable to hold out any hope to them that they might eventually become independent of international control.

The introduction of the French proposals would not enable the Powers occupying Germany to reduce their forces immediately in case the separation of the Ruhr and the Rhineland might lead to local unrest in Germany. But it would enable the occupying Powers to reduce the duration of the occupation of the rest of Germany, since Germany would, without the Ruhr and the Rhineland, be unable to develop her military power. (This does not take account of the other purposes of occupation, such as the re-education of the German people and the installation of a democratic Government.)

The most dangerous thing would be if a new régime were set up in the Ruhr on the lines of the French proposals and then at a later stage, owing to disagreement between the Controlling Powers or for some other reason, the régime were abandoned. For if this resulted in the reincorporation of the Ruhr territory in Germany the latter would, at a stroke, reacquire her richest industrial area.

Annex 1 to Report.

French Memorandum concerning the Future Economic and Financial Régime in the Ruhr.

(Translation.)

(The object of the present memorandum is to set out in a preliminary way the economic and financial consequences of the establishment in the Ruhr of an international régime such as has just been recommended by the French Government (aide-mémoire from the French Ambassador in London of the 31st August, 1945, and report of the 12th October, 1945, on the Rhineland and the Ruhr).

2. It is important first of all to emphasise that the desire of the French Government to detach the Ruhr territory from Germany and to impose upon it a separate international régime is due above all to considerations of security
and not to economic grounds. The importance of solving the problem in this manner for the future security of Europe is clearly shown when it is remembered that, taking into account the losses of territory in the east and the entry of the Saar into the French customs area, the separation of the Westphalian basin would deprive Germany of the great majority of the resources which would be necessary for making another war, i.e.:

<table>
<thead>
<tr>
<th>Material</th>
<th>Per cent.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>95</td>
</tr>
<tr>
<td>Cast iron</td>
<td>78</td>
</tr>
<tr>
<td>Steel</td>
<td>80</td>
</tr>
<tr>
<td>Rolled products</td>
<td>78</td>
</tr>
</tbody>
</table>

as compared with pre-war production in Germany.

3. Nevertheless the French Government considers that this loss of territory, which is of fundamental importance from the political point of view, could constitute an important element in the reconstruction and prosperity of Europe whatever might be the resulting economic and financial difficulties in the early stages. The present memorandum contains nothing more than a general exposition of this idea. It is difficult to collect statistical data on the production of the Rhineland and Westphalian areas, but in our opinion the further details which will have to be obtained are not likely to modify the conclusions of this first study.

4. To answer the questions which arise it seems necessary to study the consequences of the future political régime of the Ruhr under the following heads:

(i) Economic disarmament programme for the Ruhr and the future of its different industries.
(ii) Future arrangements for ownership in the Ruhr.
(iii) The labour problem.
(iv) Customs and monetary arrangements and the influence of the proposed solution on the economic conditions of various other countries and particularly on Germany.

(i) Economic Disarmament of the Ruhr and the Future of its Principal Industries.

5. The withdrawal of the Ruhr from the control of the German State does not imply that economic disarmament rules in force in Germany should not be applied in the Ruhr territory. In the Ruhr, as in Central Germany, war industries must be completely suppressed.

6. This statement does not in any way mean that the Ruhr territory will be deprived of all its industries. There exist important finishing industries which are of use in peace and which ought to be kept up. Certain manufactures which are at present carried on in the centre of Germany could be transferred to the Ruhr under inter-Allied control. The economic links between the Ruhr and Germany will of course not be entirely broken, but in making Germany dependent for certain essential products on a Ruhr territory governed by the Allies we shall have made a contribution to the economic disarmament of the German State. At the same time the International Government of the Ruhr will have the power and the duty to arrange production inside the territory in such a way that this territory does not constitute a disturbing element as regards the neighbouring economic arrangements in the search for foreign markets.

It is in this spirit that we must examine what should be the development in the Ruhr of the iron and engineering industries, of coal production, of power production, of the chemical industry, and of various other industries.

(a) Iron Industry and Engineering Manufacture.

7. The application to the iron and engineering industries in the Ruhr of the principle of suppressing all warlike manufacture will result in a first large-scale reduction in the production of these industries. This involves the transfer as reparation, or, failing this, the destruction of all large-scale forging works and presses, of heavy steel rolling-mills for armour plating and heavy billets, of workshops for producing guns, of aircraft engine manufacture, &c., and consequently a proportionate reduction of the means of production of cast iron and steel. The high quality steels manufactured in electric furnaces are principally required by armies, and the electrical steel works in the Ruhr should
consequently be suppressed. It seems that part of their plant could with advantage be transferred to Allied countries as reparation. The same applies to the machine tool industry.

8. Thus the iron and steel industries which will be able to maintain existence in the Ruhr will only be those which are required by a peace-time economy.

In this connexion the Ruhr should be supplied, to an extent which will have to be decided, with semi-finished iron products by the French industry in Lorraine in exchange for the despatch from the Ruhr of coking coal or of coke. This will result in a reduction in the production of cast iron and steel in the Ruhr, whose industry will be more concentrated on rolling and on the manufacture of products requiring a greater degree of finishing.

German iron production will be closely linked with the production of France, Belgium and Luxemburg, but the cast iron and steel production of the Allies would be increased at the expense of the Ruhr production. Instead of exporting French iron-ore to Germany we would import coke and coking coal into Lorraine. Lorraine would thus be in a position to supply steel to the finishing industry in the Ruhr with a view to the manufacture and export of finished products from there. These exports could be made to anywhere in the world, but principally to Germany and Eastern Europe.

9. It would definitely be possible to carry out a substantial reduction of the iron and engineering industries of the Ruhr once the manufacture of arms was suppressed. Detailed figures can only be given after a closer study. The calculation would, moreover, depend on the reduction of the industrial capacity of the rest of Germany, which would be the Ruhr's principal client. Nevertheless, a first examination leads the French authorities concerned to believe that a production figure for Germany and the Ruhr of 6 million tons of steel a year (excluding the Saar and Silesia) would suffice to meet the normal needs of Germany and to provide for a certain amount of exports of rolled products. The relative proportions to be established between the iron production of the Ruhr and of Germany must form the subject of further study. Moreover, in view of the difficulty of determining exactly at the present moment the steel requirements of Europe during the reconstruction period an additional safety margin of 2 million tons could normally be allowed to the Ruhr as a reserve.

Supplies of ore for the iron works of the Ruhr should be provided first from German ore and in the next place from Lorraine ore. These sources must make up as large as possible a proportion of the possible requirements of the Ruhr. The rest of what is required would be imported from Sweden and North Africa. As all this ore would be transported on the Rhine it would be simple to supervise the quantities.

(b) Coal Production.

10. There is every advantage in maintaining and even increasing as much as possible the exploitation of Ruhr coal. Production reached 120 million tons a year in 1943. It was only 100 million tons in 1937, of which 60 million were consumed in Germany and 40 million exported. Two-thirds of the exports went to the western countries (France: 12-15 million, Belgium, Holland; also Italy, Switzerland and Scandinavia).

11. The requirements of the Ruhr and of Germany will necessarily be very much reduced. It will be possible to increase considerably the amount which France will absorb, also the exports to Belgium, Holland and Italy. The exports in question will be composed essentially of coking coal and of coke. It is necessary to envisage in the coming years a reduction in our imports from England as a result of the reduction of British production. French needs are, moreover, less for coke than for coking coal in order that advantage may be taken of the gas and by-products drawn from the production of coke from coal.

The Ruhr coal industry would therefore remain an important factor in the activity of the territory and would continue to employ the greater part of the 250,000 workers and employees who were working in it before the war.

(*) It must be noted that, since English supplies consist mainly of hard coal and the increased imports of coke and coking coal from the Ruhr into France would correspond to the increase in our iron production, they should not upset the English exporters as soon as the latter are in a position to resume their exports on a large scale.
(c) Power Production.

12. The Ruhr is a great power producer. Electricity is supplied by gas and coal installations. Gas is supplied by the coking works and blast furnaces. These two kinds of power are exported far beyond the limits of the Ruhr Basin.

13. Power production will automatically be reduced to a considerable extent by reason of the measures proposed above (reduction in the production of coke and of cast iron). It does not seem that it would be necessary to apply any additional measure tending to reduce still further the power production of the Ruhr.

14. In addition it would be very desirable to see power supplies from the Ruhr directed towards the countries situated to the west, France, Belgium and Holland, by means of the construction of pipes for the long-distance transport of gas and particularly by electric high-tension lines.

(d) Chemical Industry.

15. The chemical industry of the Ruhr must be subjected to the general principles of destruction, transfer and control laid down for the rest of Germany. In particular a beginning would be made in the suppression of all manufacture considered useful for war purposes and in the first place to the manufacture of synthetic petrol.

16. The remainder of the chemical industry will be automatically subjected to certain reductions as a result of the decrease in the number of coke works. In general an effort will be made to export coal in accordance with the general principles indicated above rather than to leave it on the spot in order to allow of the functioning of all of the industries derived from it.

17. Nevertheless, there must exist in the Ruhr a limited chemical industry whose markets would be principally for peace-time needs in Germany, particularly the nitrogen industries and the production of nitrogenous fertilisers necessary for German industry.

(e) Various Industries.

18. Aluminium. French policy envisages the complete suppression of aluminium in Germany. There existed in the Ruhr, however, near Lünen, an important complex of alumina production (90,000 tons) and aluminium production (45,000 tons) which functioned on an economic basis. If a reduced production of aluminium is maintained in Germany (e.g., 25,000 tons a year) it might be possible to concentrate the total production in the Lünen factory. In this way supervision would be more effective than if various installations for this purpose were authorised to continue to function in the heart of Germany.

19. The other Ruhr industries whose production meets peace-time needs will have to be allowed certain activity: textiles, leather, food products, &c. Besides local consumption these factories would find their markets chiefly in Germany and in Central and Eastern Europe. In fixing these commercial channels account must clearly be taken of the legitimate interests of the Allied countries.

(ii) Future Arrangements for Ownership in the Ruhr.

20. On the supposition that the Ruhr is industrialised and that the international authority gives the orientation indicated above to the industries of the Ruhr territory it must be asked what will be the status of the undertakings comprised in the territory. It is impossible to leave the mines in the hands of their present owners. For political and security reasons it will be equally necessary to expropriate those who at present control heavy industry. This policy will necessitate the taking over of these undertakings by a new managerial staff or at least close supervision. All the Allied countries who take part in the international Government will be faced with a problem of personnel. The countries concerned must clearly provide as soon as possible for recruiting the necessary managerial staffs, whereas the technicians can be found among the German personnel.

21. Expropriation pure and simple seems, in fact, to be the only solution. It would result in an abrupt severance of all the financial links which at present join the industry of the Ruhr to the business interests of Cologne and even more of Frankfurt.

22. In these circumstances who will assume the rights of ownership in the Ruhr territory, which will thus have become vacant? It does not seem that recourse should be had to private interests. The solution which seems to merit acceptance is the taking over of these industrial activities by international
consortiums whose shares would be held by the States entrusted with the administration. These States would have to supply the consortiums with working capital in so far as this could not be provided by the expropriated companies. The profits, in so far as they were not reinvested in the enterprises, would be divided between the Allied nations and would count against reparations due from Germany or would be utilised for any other purpose (and in particular for the payment of imports agreed to be indispensable for Germany).

(iii) Labour Problems.

23. We shall have to give particular study to the results of internationalisation of the Ruhr on the above lines with regard to the demographic situation and especially as regards labour. It is clear that the general result of the measures proposed will be a reduction in the Ruhr's labour requirements.

24. At the same time it can be supposed that in connexion with this reduction there will be an important decrease in the working population of the Ruhr as a result of the departure of all the foreigners there. Before the war the Ruhr included numerous groups of Polish workers who will without doubt wish to return to their native country. Since the war the Nazi Government had brought into the Ruhr a very large number of foreign workers as forced labour (French, Dutch, Polish, Ukrainian, Belgian, Italian). According to certain figures the proportion of foreigners reached 60 per cent. in 1943. It is clear that all these workers are now leaving Germany.

25. It remains to be asked how the German population, who will live in the Ruhr, will adapt themselves to the new tasks which will be allotted to them. It is impossible to give the answer in advance.

In the light of the above observations one can nevertheless estimate that the movements of population which will take place in the Ruhr will not be of great magnitude and will not cause any important disturbances. On any hypothesis these movements will not be different from those which would have had to take place if the Ruhr had remained an integral part of Germany.

(iv) Customs and Monetary Régime and Implications as regards International Exchanges.

26. It is clearly difficult to describe in detail and in advance what will be the customs and monetary régime of the Ruhr and what will be the consequences of internationalising it as regards international exchanges. In view of the lack of recent statistics and information on production in Germany it is not possible to do more than suggest certain hypotheses.

27. On the other hand it is necessary to bear in mind that the solution proposed by the French Government is above all dictated by anxiety with regard to future security. It will always be possible to demonstrate, with the help of figures, that this solution is not particularly reasonable from the economic point of view. It can always be said that it is not right to create a new customs unit in Europe when every tendency is to extend the limits of free economic areas. It would be possible to go so far as to say that the best solution from the strictly economic point of view would be the establishment of a greater Germany. The answer is that the French Government has not any intention of justifying its ideas by economic considerations.

28. The economic structure of any region tends inevitably to adapt itself to territorial solution imposed on political grounds. But in the present case it appears to us that the solution which we have in mind corresponds not only to the essential needs of security, but could be an important factor in the reconstruction of Europe and of its prosperity.

29. There would be no question of the immediate establishment of customs barriers on the frontiers of the Ruhr territory. A customs control would naturally be established between the Ruhr and the territory surrounding it, but the essential object of this step would be to allow the International Commission to supervise the execution of such measures as it might have taken.

30. The economic and political severance of the Ruhr will imply the creation of a new currency. It will be necessary to found for this purpose a bank of issue. The revenue it will require for this purpose will be easily provided by the excess of deposits over withdrawals.

31. At this point it is necessary to reply to an objection to the detachment of the Ruhr territory which has been raised especially in Great Britain. It has been maintained that this solution would deprive the old Reich of the most important part of its resources, and would thus leave in the centre of Europe a
population of the order of 50 million in a continual state of poverty, with the result that a permanent source of trouble and a threat to the tranquillity of Europe would be kept in being. It is true that the internationalisation of the Ruhr will, in the first instance, create in Germany a serious economic disequilibrium, over and above the difficulties already created by the annexation of Silesia by Poland. German exports of coal and coke, of iron products, finished and semi-finished metallurgical goods and even textiles and chemicals will suffer a considerable diminution. It will doubtless be possible to reduce German import requirements, since the need for armaments will have disappeared altogether. But it will remain indispensable, even if agricultural production in Germany is expanded to the greatest possible extent, to provide for the necessity of buying abroad a very considerable tonnage of food-stuffs. In 1937 Germany, with 69 million inhabitants, imported cereals to the value of 427 million marks, and meat, cattle, dairy produce, fruit, fats, coffee, tea, &c, to the value of 940 million marks. Even a Germany of 50 million inhabitants would therefore have to remain to a large extent an importer of food-stuffs.

It is therefore certain that during the period of the readaptation of its economic structure the new Germany will have great difficulties in coping with the deficit on its balance of payments. How is such a deficit to be dealt with?

(a) In the first place it must be observed that the severance of the Ruhr and the Saar will remove from Germany populations which, since their activities are almost exclusively industrial, do not contribute to the feeding of the country.

(b) Within the limits of what can be achieved agricultural production in Germany would have to be raised to its maximum level by every conceivable means.

(c) Germany would continue to possess important industries, since she would retain such regions as Saxony, Thuringia, Berlin, Hamburg, Hanover and Kassel. Germany's resources would be devoted exclusively to her peaceful needs, and no longer to the purchase of raw materials or manufactured goods of military value.

(d) From the point of view of density of population, Germany is at the moment undergoing exceptional difficulties. No permanent solution of this question can be arrived at so long as difficulties continue in this degree. Measures will have to be taken to remedy them, notably by adopting a policy of emigration.

Nevertheless, all these measures will be insufficient to enable the new Germany to exist without external support. But the territorial measures here contemplated will not in themselves aggravate the problem at all, since nothing will prevent the employment of the export surplus of the Ruhr for such purposes as it would have been put to within the old limits of the Reich. The surplus of foreign exchange resulting from exports from the Ruhr could be devoted, as the responsible Powers may decide, either to reparations or to meet a proportion of such foreign purchases by Germany as are deemed indispensable by the Inter-Allied Control Council.

The foregoing considerations are sufficient to determine the essential character of the territory which should be detached from Germany and subjected to an international régime. This territory should include the majority of the industries and mines whose production it is necessary to control. But in order not to increase the difficulty of the problem which has to be solved, every effort should be made to determine the minimum area compatible with these conditions. The boundaries traced on the attached map would provide a satisfactory solution to the political problem, the economic consequences of which this memorandum has attempted, in broad outline, to describe.

Paris, 22nd October, 1945.
Appendix 1 to Annex 1.

Statistics of Industrial Population and Production.

<table>
<thead>
<tr>
<th></th>
<th>Ruhr.</th>
<th>Saar</th>
<th>Remaining Territory West of Rhine</th>
<th>Territory East of Oder-Weisse Line</th>
<th>Rest of Germany</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Area (square kilometres)</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Population on 17th May, 1939</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Density of population</td>
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<tr>
<td>Production (in thousands of tons)</td>
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</tr>
<tr>
<td>Coal</td>
<td></td>
<td></td>
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<tr>
<td>1938</td>
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<td>19,976</td>
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<td>1943-44</td>
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<td>480,000</td>
<td>4,980,000</td>
<td>9,800,000</td>
<td>48,850,000</td>
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<td><strong>Remaining Territory East of Rest Ruhr. Saar. Total West of Oder-Weisse Line.</strong></td>
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<td><strong>Steel</strong></td>
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<td><strong>Rolled products</strong></td>
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<tr>
<td>1938</td>
<td>8,000</td>
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<td><strong>Sulphuric acid</strong></td>
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<td>1944</td>
<td>11</td>
<td></td>
<td>8</td>
<td></td>
<td>58</td>
<td>690</td>
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<tr>
<td><strong>Electric energy (million kws.)</strong></td>
<td></td>
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<td></td>
<td></td>
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<td>1944</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

(*) Including production of Polish Silesia.
(1) In 1932.
(2) Consists mainly of output of Hermann Goering Works.
(3) Ruhr plus left bank of Rhine.

Appendix 2 to Annex 1.

Ruhr Zone: Population Data (on 17th May, 1939).

Total population: 5,030,000 inhabitants, i.e., a density of 1,070 to square kilometre.

Towns of more than 100,000 inhabitants:

- Essen
- Düsseldorf
- Dortmund
- Duisburg-Ruhrort
- Wuppertal
- Gelsenkirchen
- Bochum
- Oberhausen
- Hagen
- Solingen
- Mülheim an der Ruhr
- Reimscheid

- 683,000
- 548,000
- 542,000
- 541,000
- 401,000
- 317,000
- 305,000
- 191,000
- 151,000
- 140,000
- 137,000
- 103,000

Statement by Sir David Waley.

THE French delegation provided an aide-mémoire which is of great use in elucidating the views of the French Government on the economic and financial aspects of an international Ruhr State.

In paragraph 27 of the memorandum, the French Government remark that the solution which they advocate is, above all, dictated by considerations of future security. They add that one could always show that economically it is not very rational. The reply, they say, would be that the French Government in no way thinks of justifying its proposals by economic considerations. Thus, in pointing out that the proposals involve certain economic and financial difficulties, the United Kingdom representatives are on common ground with the French representatives. There is, however, a considerable difference of view as to how serious such economic and financial difficulties would be, although we are certainly on common ground in regarding a prophecy about the future as exceedingly and peculiarly difficult in such a case as this. It seems to us that the difficulties which must attach to any proposal to convert a relatively few square miles of a country into a separate State might be particularly grave in the case of a very highly industrialised State. There would be many disadvantages in turning the Isle of Wight into an independent country, but it seems to us that there would be even greater disadvantages in turning the industrial areas in South Wales or the Tyneside into a separate State.

Economic fluctuations affect an industrial area much more acutely than an area of mixed industry and agriculture. In times of slump, an industrial area is faced with acute unemployment. The absorption of the unemployed into the surrounding countryside is made much more difficult if the surrounding countryside is in a foreign country. A country consisting of an industrial area at the time of economic depreciation would find it singularly difficult to raise sufficient revenue to meet its expenses and to find a market for sufficient exports to cover its imports.

On the other hand, in times of prosperity, it is arguable that the exports of the Ruhr and the rest of Germany taken together would cover the imports of those two territories taken together, but if the Ruhr is detached from Germany, the rest of Germany would no longer be able to obtain its minimum imports. This point is dealt with in paragraphs 31-33 of the French memorandum and in paragraph 33 it is suggested that the export surplus of the Ruhr might be partly used to meet a deficit in the balance of payments of the rest of Germany. This system, under which the Ruhr would normally or on occasions, help out the rest of Germany by a kind of Lend-Lease seems to us likely to give rise to acute political difficulties and also it would be difficult to reconcile with the object of making the Ruhr territory entirely independent from the rest of Germany.

To put the matter in the simplest way, we find it difficult to believe that it will be a good thing to put a political frontier round a "Special Area" and to constitute it as a separate State.

We have not attempted to consider in detail how the proposal would affect the commercial interests of the United Kingdom. We think, however, that the effect on a long-term basis on the United Kingdom coal trade would need very careful consideration and we should not wish to accept, without further examination, the point of view expressed in the footnote on p. 32 about the effect of the plan on the United Kingdom coal trade.

The proposal that coke from the Ruhr should be imported into Lorraine and turned into semi-manufactured metal goods, though it would clearly possess certain advantages, might need further examination from the point of view of United Kingdom trade interests.

We have noted that paragraph 5 of the memorandum states that the policy of removing capital industrial equipment surplus to Germany's peace-time needs would be applied in the Ruhr State as in Germany. This seems to us important, since any other policy would be to the detriment of countries entitled to reparation deliveries, including the U.S.S.R. On the other hand, in paragraphs 17 and 18, it is suggested that in certain instances exceptions might be made and the production of nitrogen and aluminium might be allowed in the Ruhr as a detached State, though it would not have been allowed in the Ruhr if it remains [31427]
part of Germany. We think that the wisdom of such a policy would need to be further considered.

To conclude, our main doubt is whether the financial and economic objections to making a separate political State out of a territory comparable with the Tyneside or South Wales are likely to be relatively insignificant, as the French experts believe, for, in our own view, such difficulties would probably be very formidable.

25th October, 1945.

S. D. W.

Annex 3 to Report.

Reply by M. Alphand to Sir David Waley.

(Confidential.)

THE French aide-memoire on the future economic and financial régime of the Ruhr has three essential objects:—

(a) To show that the proposed international régime will result in placing under Allied Control considerable resources which otherwise could be used by Germany for preparing a new war.

(b) To show that these resources if they are utilised in a rational manner by the international Government can constitute an important element in the reconstruction and prosperity of Europe.

(c) Lastly to show that the separation of the Ruhr will not necessarily have such economic consequences for Germany as to perpetuate in the centre of Europe a state of disquiet and insecurity.

This aide-memoire gave rise to very thorough and frank exchanges of views between the French and British Delegations. The comments which were made did not lead us to modify our position. But they are extremely useful to us in allowing us to give precise form to various important points and to examine in advance the measures that will be necessary to overcome the economic difficulties feared by our British colleagues.

I would like to reply to the principal criticisms which have been formulated by Sir David Waley.

I. The British Delegation thinks that a highly populated and entirely industrial State like the Ruhr will be more sensitive than any other State to economic crises.

The idea is clearly right. It could be applied equally well to Belgium, for example, as to the future Ruhr State. We can hope that efforts will be made to promote throughout the world a policy of expansion and full employment which will enable us to limit the consequences of world economic fluctuations. Moreover the fact that the mineral and metallurgical products of the Ruhr will be nationalised will allow the States responsible for the administration to carry out more easily the plans intended to limit unemployment.

II. Our British colleagues think that we are very optimistic to imagine that the Ruhr will necessarily have a favourable balance of accounts. Certainly it is impossible to calculate exactly the various elements in the commercial exchanges of the future international State, but it is possible to believe that, given the considerable increase in the volume of coal which will be exported, the metallurgical resources which will remain in the territory, the products of peaceful industries (notably engineering, chemical and textile industries), the Ruhr will definitely have an exchange surplus. It must, in fact, be remembered that all these products are in very great demand throughout the world and we must hope that a suitable international policy will permit of the maintenance of these markets. Besides, the Ruhr will only have to import from outside its iron-ore and its food. This represents a comparatively small amount which could be covered by exports of coal alone, so that the exports of other industries would constitute the assets side of the balance of payments.

III. At the same time, the British Delegation expressed some apprehension about the competition which the Ruhr might make on foreign markets against English industry. This fear seems inconsistent with the pessimistic views they expressed about the existence of a favourable balance of payments for the Ruhr territory. It is easy to answer that the competition of the Ruhr territory
administered by an international Government in which Great Britain herself will participate will be much less dangerous than that of a territory administered by a German Government, accustomed to the practice of dumping and discrimination.

IV. Finally, we do not believe that the separation of the Ruhr must result in any important aggravation of Germany's economic situation. We indicated the reasons for this in paragraph 32 of our aide-mémoire. I would recall that the Ruhr will not be surrounded by an impassable customs barrier. It will be possible for its resources to be exported to Germany and the excess of its balance of payments could, if necessary, be used in part in order to pay for part of Germany's supplies.

Sir David Waley fears that this kind of lease-lend will cause considerable political difficulties and will not allow us to make the Ruhr entirely independent of Germany. We have already said what we think of this idea: the Ruhr will be independent of Germany, but Germany will remain dependent on the Ruhr, which is exactly what best meets the need for security by which we are inspired.

It only remains for me to express the hope that our conversations have contributed to the enlightenment of our respective Governments. I think, as does Sir David Waley, that there is more a difference of degree than of substance between our points of view. I thank our British colleagues for the objective manner in which they have been good enough to examine the French proposals.
ANNEX C.

DRAFT TREATY ON THE DISARMAMENT AND DEMOBILISATION OF GERMANY.

PREAMBLE.

ON the 5th June, 1945, the Governments of the United States, the Union of Soviet Socialist Republics, the United Kingdom, and the French Republic declared their intention to effect the total disarmament and demobilisation of Germany. In substantial measure this intention has already been fulfilled. Nothing shall prevent the completion of the process. It remains to ensure that the total disarmament and demilitarisation of Germany will be enforced as long as the peace and security of the world may require. Only this assurance will permit the nations of Europe and the world to return single-mindedly to the habits of peace. To achieve this objective, the Governments of the United States, the Union of Soviet Socialist Republics, the United Kingdom and the French Republic agree to engage in the common undertaking defined in this treaty.

ARTICLE I.

The high contracting parties agree that they shall take steps jointly to ensure that:

(A) All German armed forces, including land, air, anti-aircraft and naval forces, all para-military forces such as the SS, the SA, and the Gestapo, and all organisations auxiliary to the foregoing shall be and shall remain completely disarmed, demobilised and disbanded.

(B) The German General Staff and the staffs of any para-military organisations shall be and shall remain disbanded.

(C) No German military or para-military organisation in any form or guise shall be permitted in Germany.

(D) The manufacture, production, or importation of military equipment in Germany shall be prevented. In particular, the high contracting parties shall prevent the manufacture, production, or importation of:

1. All arms, ammunition, explosives, military equipment, military stores and supplies and other implements of war of all kinds;
2. All naval vessels of all classes, both surface and submarine, and auxiliary naval-craft;
3. All aircraft of all kinds, aviation equipment and devices and equipment for anti-aircraft defence.

(E) The establishment, utilisation or operation for military purposes of any of the following shall be prevented:

1. All military structures, installations and establishments, including but not limited to military airfields, seaplane bases, and naval bases, military and naval storage depots, permanent and temporary land and coast fortifications, fortresses and other fortified areas;
2. All factories, plants, shops, research institutions, laboratories, testing stations, technical data, patents, plans, drawings, and inventions, designed or intended to produce or to facilitate the production of items listed in the paragraph (D) above.

(F) Under conditions which may be established by the high contracting parties, the demilitarisation and disarmament required by this Article shall be subject to the following exceptions and to no others:

1. The formation and employment of such detachments of German civil police as may be essential to the maintenance of public security, and
2. The manufacture, production or importation of minimum quantities of those items listed in paragraph (D) (1) above, such as explosives or ingredients of explosives, which may be essential for purposes of construction, mining, agriculture, or for other peaceful purposes.
ARTICLE II.

To implement the disarmament and demilitarisation provisions set forth in Article I, the high contracting parties agree that they shall make provision for a system of quadrupartite inspection, which shall become operative upon the termination of the Allied occupation of Germany. This system of inspection shall be conducted through a Commission of Control to be established by the high contracting parties on a quadrupartite basis. The Commission of Control, through its officers and agents, shall conduct, in any and all parts of German territory, such inspections, enquiries and investigations as it may deem necessary to determine whether the disarmament and demilitarisation provisions set forth in Article I are being observed.

ARTICLE III.

The high contracting parties agree that for the duration of the period of Allied occupation of Germany, they shall, through the Allied Control Council and in their respective zones, enforce strictly the disarmament and demilitarisation provisions set forth in Article I. They agree further that the express acceptance by Germany of the provisions of Articles I and II shall be an essential condition to the termination of Allied occupation of German territory.

ARTICLE IV.

The Commission of Control provided for in Article II shall submit a report to the high contracting parties whenever, in the opinion of a majority of the members of the Commission, it has reason to believe that a violation of the disarmament and demilitarisation provisions of Article I has occurred or is about to occur. In conjunction with such report the Commission shall submit a recommendation for action on the part of the high contracting parties which appears appropriate to a majority of the members of the Commission. Upon receipt of such report and recommendations, the high contracting parties will, by common agreement, take such prompt action—including action by air, sea or land forces—as may be necessary to assure the immediate cessation or prevention of such violation or attempted violation. The high contracting parties agree that, within six months of the effective date of this treaty, they shall consult for the purpose of negotiating special quadrupartite agreements which shall provide in the greatest practicable detail for inspection, enquiry and investigation by the Commission of Control, for the numbers and type of forces which each party shall make available for purposes of this treaty, for their degree of readiness and general location, and for the nature of the facilities and assistance which each shall provide. Such special quadrupartite agreements shall be subject to ratification by the high contracting parties in accordance with their respective constitutional processes.

ARTICLE V.

This treaty shall be ratified by the high contracting parties in accordance with their respective constitutional processes. The ratification shall be deposited with the Government of which shall notify all the high contracting parties of each deposit. This treaty shall come into force upon the deposit of ratifications by each of the high contracting parties. This treaty shall remain in force for a period of twenty-five years from its effective date. The high contracting parties agree to consult six months before the date of expiration of this treaty for the purpose of determining whether the interests of international peace and security require its renewal, with or without modification, or whether the German people have so far progressed in the reconstruction of their life on a democratic and peaceful basis that the continued imposition of the controls defined herein is no longer necessary.
GERMANY AND AUSTRIA
ZONES OF OCCUPATION

International Boundaries, 31 Dec. 1937
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Boundaries of German Länder, 2 Aug. 1941
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Provinz.
---
Regierungsbezirke.
---
Zones of Occupation

MAP 1
MAP TO ILLUSTRATE
FRENCH PROPOSALS
FOR THE
RUHR & RHINELAND

INTERNATIONAL FRONTIERS (1938)
Boundaries of German Länder and Provinzen (up to 1945)
Main railways
Canals

Area of proposed Ruhr territory
Boundaries of Zones of Occupation

RESEARCH DEPS, F.O. March 1946
SECRET

Gen. 121/2.
11th March, 1946.

CABINET.

Committee on German Industry.

THE SAAR TERRITORY.

MEMORANDUM BY THE SECRETARY OF STATE FOR FOREIGN AFFAIRS.

1. Part of the French Government's proposals for a settlement of the future régime in Western Germany relates to the Saar. Their specific proposal on this subject as made in the course of conversations with French officials in London last October was as follows:—

"The Saar mines, whose ownership was granted to France by the Treaty of Versailles and was regained by Germany in 1935, must become once more French property, with the corollary that the territory of the Saar should be included in the French customs and currency system, since the economies of France and the Saar are almost entirely complementary. The final form of government of the territory would be decided in due course. French military forces should be stationed there permanently."

2. An official communication regarding the Saar has now been received from the French Ambassador, and a translation is attached as Annex A. The French request is briefly that the question should be considered at the earliest possible moment by the four Foreign Ministers or by delegates appointed for this purpose, and that they should agree to transfer the territory immediately to French administration, the final determination of the régime being left to the peace settlement. This is in effect what was granted to the Poles at the Potsdam Conference in respect of the Eastern provinces of Germany. The French communication defines the territory as approximating to that placed under an international régime in 1919, with some small, but undefined, additions. The population of the old Saar territory was approximately 864,000 in 1939.

3. The British Element of the Control Commission has already drawn attention to the desirability of an early decision as to whether the Saar is to be left to Germany or not, as without such decision the plans for Germany's future economy may be drawn up on false premises. I would therefore ask my colleagues to agree that we should support the French request for an immediate discussion of this question by the four Powers. I see no objection to dealing with it as an entirely separate issue from that of the Ruhr and the Rhineland, and I think we can assume that the new post-election Government in France, whatever its character, will maintain the demand for the incorporation of the Saar.

4. I also ask my colleagues to agree that we should in principle support the French request that the territory be transferred immediately to French administration. The extent of the territory to be transferred will need to be further examined in the light of the precise proposals which the French Government put forward. The question will also arise, and should, I suggest, be considered forthwith by the appropriate Departments, whether the assets of the transferred territory should be debited to the French on reparation account.

E. B.

Foreign Office, S.W. 1,
11th March, 1946.
(Translation.)

The absence of any agreement on the status of Western Germany presents very serious difficulties which are daily becoming more apparent in the course of the work of the Control Authorities in Berlin.

The French Government have already made known the reasons why they are not in a position to study the establishment of certain central German administrations as long as the competence of such administrations extends to the Ruhr and the Rhineland.

The uncertainty which continues to exist on the future status of the Saar leads to even more immediate difficulties.

On the one hand it seems extremely difficult to fix Germany's "level of industrial life" and in particular the steel production capacity which she will be allowed, without first knowing whether the Saar is to be incorporated in the French customs unit or not.

On the other hand the Control Council must determine without delay the industrial removals which are to take place from former German territory for reparation purposes, and the retention of certain of these factories in the Saar territory depends on the nature of the solution to be found to the question of the Saar.

In these circumstances the French Government wish to define in a clear manner the administration which they desire to see established forthwith in the Saar territory; such definition to be without prejudice to the subsequent discussion of the plans already outlined by them on the question of the future status of the Ruhr and Rhineland.

1. **Boundaries of the Saar Territory.**

   The boundaries of the territory to which this proposal applies are much the same as those of the former Saar territory created in 1919. But this territory was an imperfect improvisation which aimed at grouping together the whole of the coal basin. It would now, therefore, be necessary to make certain adjustments, particularly with a view to avoiding the dissection of certain agglomerations and with a view to including lines of communication or industrial towns whose importance has grown since 1939 and which are linked to the economic unity of the coal basin.

   2. The administration envisaged is based above all on economic considerations; to deprive Germany of a part of her war potential and to integrate the Saar in France's economic and monetary unit.

(a) **The Economic administration.**

   (i) The Saar mines, ownership of which was given to France by the Treaty of Versailles and which were recovered by Germany in 1935, should revert to the ownership of the French State.

   (ii) The Saar territory would be included in the French customs unit. This customs union would be facilitated by the fact that the economy of the Saar territory and that of the neighbouring French territories (Alsace and Moselle) are for the greater part complementary.

   (iii) The Saar should be integrated in the French monetary unit and the franc should forthwith be substituted for the mark.

(b) **The Political administration.**

   The final status of the Saar would only be determined at the time of the Peace Settlement.

   The political conditions whose application France considers as both adequate and essential are the following:—

   (i) The Saar territory should be withdrawn forthwith from the competence of the Control Council in Berlin and never again be subordinated to a German Central administration.

   (ii) A French military force sufficient to guarantee internal order and frontier control should permanently be stationed in the territory.

   (iii) France should assure the permanent control of the administration of the territory.

   The status of the inhabitants, particularly as far as their nationality and right of option are concerned, should be settled at a later date.
The French Government would forthwith take all the necessary measures to sever completely public services such as railways and posts from those of the Reich. They would undertake the protection abroad of the Saar nationals and interests.

The above proposals are restricted to the conditions which are indispensable for realising the complete separation of the territory of the Saar from that of the Reich. Their adoption would permit the Control Council Authorities to take a certain number of decisions of an economic character which at present remain in suspense as a result of the absence of any agreement on the Saar. The French Government therefore request that they be most urgently considered by the Governments responsible for the supreme authority in Germany, and with this in view suggest that they be discussed as soon as possible by the four Foreign Ministers or by the delegates whom they may appoint for this purpose.

French Embassy,